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September 10, 2015

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v.
PECO Energy Company – Electric Division
Docket No. R-2015-2468981**

Dear Secretary Chiavetta:

Enclosed for filing is the **Joint Petition for Settlement of Rate Investigation (“Joint Petition”)** in the above-captioned matter.

As evidenced by the enclosed Certificate of Service, copies of the Joint Petition have been served on presiding Administrative Law Judge Angela T. Jones, as well as all parties of record.

Very truly yours,



W. Craig Williams

Enclosures

cc: Per the Certificate of Service (w/encls.)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
v. : DOCKET NO. R-2015-2468981
PECO ENERGY COMPANY - :
ELECTRIC DIVISION :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Joint Petition for Settlement of Rate Investigation** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

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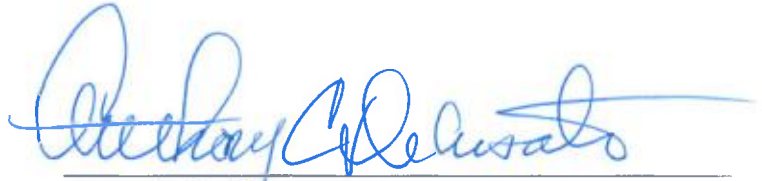
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Counsel for PECO Energy Company

Date: September 10, 2015

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PECO ENERGY COMPANY -
ELECTRIC DIVISION**

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DOCKET NO. R-2015-2468981

**JOINT PETITION
FOR SETTLEMENT OF RATE INVESTIGATION**

September 10, 2015

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Statement N Statement of the General Services Administration of Non-Opposition to the Joint Petition for Settlement

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY - ELECTRIC DIVISION	:	

**JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

TO THE HONORABLE ANGELA T. JONES, ADMINISTRATIVE LAW JUDGE:

PECO Energy Company (“PECO” or the “Company”), the Bureau of Investigation & Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Philadelphia Area Industrial Energy Users Group (“PAIEUG”), the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN *et al.*”), the City of Philadelphia (“City”), the Keystone Energy Efficiency Alliance Energy Education Fund (“KEEF”), the Clean Air Council (“CAC”), the Natural Resources Defense Council (“NRDC”), The Alliance for Solar Choice (“TASC”), and the Environmental Defense Fund (“EDF”) (collectively, the “Joint Petitioners”), by their respective counsel, submit this Joint Petition For Settlement Of Rate Investigation (“Joint Petition”) and request that the Administrative Law Judge: (1) approve the settlement of this proceeding as set forth in this Joint Petition (the “Settlement”); and (2) recommend that the Pennsylvania Public Utility Commission

(“Commission”) adopt the Settlement and permit PECO to file the tariff annexed hereto as Appendix A (“Settlement Rates”) to become effective pursuant to the terms set forth therein.¹ In support of this Settlement, the Joint Petitioners represent as follows:

I. BACKGROUND

1. On March 27, 2015, PECO filed with the Commission Tariff Electric – Pa. P.U.C. No. 5 (“Tariff No. 5”). Tariff No. 5 reflects an increase in annual electric operating revenues of approximately \$190 million. By Order issued April 23, 2015, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of PECO’s existing and proposed rates, rules and regulations. Accordingly, Tariff No. 5 was suspended by operation of law until December 26, 2015. This case was then assigned to Administrative Law Judge Angela T. Jones for purposes of conducting hearings and issuing a Recommended Decision. In conjunction with the April 23, 2015 Order, Robert F. Powelson, who was then Chairman of the Commission, and then-Commissioner Gladys M. Brown, who succeeded Commissioner Powelson as Chairman as of May 7, 2015, issued a joint statement (“Joint Statement”) in which they directed several questions to facilitate an on-the-record discussion of the Company’s proposals to: (1) replace the Auxiliary Service Rider (“ASR”) in its existing tariff with a new Capacity Reservation Rider (“CRR”); and (2) establish a minimum billing demand equal to 40% of the contract demand for General Service (“GS”) rate customers with electric demand over 500 kilowatts (“kW”).

2. The Company was served with Petitions to Intervene on behalf of the parties and on the dates set forth below:

¹ The General Services Administration (“GSA”) and Mr. William B. Kazimer, a residential customer who intervened in the proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. As noted in Section II. J. *infra*, I&E and PAIEUG are not joining in, but do not oppose, the term of the Settlement set forth in Paragraph 25, *infra*.

CAUSE-PA	April 9, 2015
TURN <i>et al.</i>	April 20, 2015
City	April 24, 2015
CAC	May 1, 2015
TASC	May 7, 2015
GSA	May 8, 2015
NRDC	May 12, 2015 ²
KEEF	June 1, 2015
EDF	June 22, 2015

Additionally, on April 7, 2015, I&E entered its appearance in this case.

3. The Petitions to Intervene filed by CAUSE-PA, TURN *et al.*, the City, CAC, TASC and GSA were granted by the ALJ in Prehearing Order #3, which was issued on May 14, 2015. The Petitions to Intervene filed by NRDC, KEEF and EDF were not opposed and, therefore, were deemed granted pursuant to Paragraph No. 18 of Prehearing Order #3.

4. Complaints against PECO's rates were filed by the following parties and were served on PECO on the dates shown below:

OCA	April 6, 2015
OSBA	April 15, 2015
PAIEUG	May 6, 2015
William B. Kazimer	May 13, 2015

By letter dated May 6, 2015, PECO notified the ALJ and the parties that it would rely upon 52 Pa. Code § 5.61(d), which provides that answers to complaints docketed in Commission instituted investigations of rates are not required except as directed by the Commission or presiding officer. Neither the Commission nor the ALJ directed the Company to submit answers to any complaints.

² Although NRDC styled its pleading as a "Notice of Intervention," it was treated as a Petition to Intervene.

5. Motions for Admission *Pro Hac Vice* on behalf of counsel for the following parties were filed and served on the dates set forth below:

TASC	May 7, 2015 ³
GSA	May 13, 2015
EDF	June 22, 2015

All of the Motions for Admission *Pro Hac Vice* were granted in Prehearing Order #3.

6. A prehearing conference was held on May 11, 2015, at which a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all direct, supplemental direct, rebuttal and surrebuttal testimony would be submitted in advance of hearings and oral rejoinder could be offered at the hearings. Evidentiary hearings were scheduled for August 11-14, 2015, at which time it was anticipated that all testimony and exhibits would be placed on the record and all witnesses presented for cross-examination, if any, thereon.

7. Five public input hearings were held on the dates and at the locations and times shown below:

Date	Location	Time(s)
June 8, 2015	Newtown, PA	7:00 p.m.
June 9, 2015	Philadelphia, PA	10:00 a.m. & 7:00 p.m.
June 10, 2015	Worcester Township, PA	7:00 p.m.
June 15, 2015	Ridley Park, PA	7:00 p.m.

³ TASC served an Amended Motion on May 15, 2015.

8. Accompanying Tariff No. 5, the Company filed all of the supporting information required by the Commission's regulations (52 Pa. Code § 53.52 et seq.) for an historic test year ended December 31, 2014, a future test year ending December 31, 2015 and a fully projected future test year ("FPFTY") ending December 31, 2016. The Company's supporting information included the prepared direct testimony of eight initial witnesses and the various exhibits sponsored by them. A single statement of supplemental direct testimony was served on May 22, 2015 to address the directed questions presented in the Joint Statement. Additional information was supplied in response to approximately 537 interrogatories and data requests and in Technical Conferences held on May 22 and June 3, 2015.

9. In accordance with the previously established schedule, on June 23, 2015, I&E, OCA, OSBA, PAIEUG, EDF, GSA, KEEF/NRDC/CAC, the City, TASC and TURN et al. submitted a total of fifteen written statements of direct testimony and associated exhibits. On July 21, 2015, PECO, OCA, OSBA and PAIEUG submitted a total of eleven statements of rebuttal testimony and associated exhibits. On August 4, 2015, PECO, I&E, OCA, OSBA, PAIEUG, KEEF/NRDC/CAC and TASC submitted a total of thirteen statements of surrebuttal testimony and associated exhibits.

10. On July 24, 2015, PECO filed a Motion to Strike All or Portions of the Direct Testimony of EDF and KEEF/NRDC/CAC, and on July 30, 2015, PECO filed a Motion to Strike Portions of the Direct Testimony of TASC. On July 28 and 31, 2015, ALJ Jones issued Prehearing Order #4 and Prehearing Order #5, setting August 7, 2015 as the last day for filing answers to both of PECO's Motions to Strike. On July 29, 2015, KEEF filed an Answer in Opposition to PECO's Motion to Strike portions of the KEEF/NRDC/CAC direct testimony. On

August 6, 2015, TASC filed an Answer in Opposition to PECO's Motion to Strike portions of its direct testimony.

11. Negotiations were conducted by the Joint Petitioners to try to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein, which resolves all issues in this case. Consequently, all parties waived cross-examination of all witnesses, the evidentiary hearings scheduled for August 11-13, 2015 were cancelled and a telephonic hearing was conducted on August 14 for the purpose of entering into the record the testimony and exhibits of the parties.⁴ Additionally, in light of the resolution achieved by the Settlement of the issues in this case, at the August 14, 2015 hearing PECO withdrew without prejudice its Motions to Strike. *See* Tr. 354-355.

12. The Joint Petitioners acknowledge that, except to the extent specifically set forth herein, they have not sought, nor would they be able, to agree upon the specific rate case adjustments which support their respective conclusions. Nonetheless, they are in full agreement that this Settlement is in the best interest of customers and of the Company and, therefore, is in the public interest.

II. TERMS AND CONDITIONS OF SETTLEMENT

13. The Settlement consists of the following terms and conditions:

A. Revenue Requirement

14. PECO will be permitted to charge, effective for service rendered on and after January 1, 2016, the Settlement Rates set forth in Appendix A. The Settlement Rates are

⁴ A complete listing of all of the statements and exhibits admitted into the record is set forth in the transcript of the August 14, 2015 hearing and PECO Hearing Exhibit No. 1.

designed to produce an annual net increase in electric operating revenue of \$127 million as shown in the proof of revenues provided as Appendix B.

15. The Settlement Rates provide for recovery of \$7.0 million in annual operating expense (\$7.6 million inclusive of Gross Receipts Tax expense) requested by PECO for increased vegetation management. PECO agrees to provide a status report on the enhanced vegetation management initiative at twelve and twenty-four months after its initiation. The status report will be provided to the Commission three months after the close of each reporting period. Such reports will include the locations of circuit sections and CEMI (Customers Experiencing Multiple Interruptions) pockets treated under the enhanced vegetation maintenance program, as well as any associated improvement in reliability of those circuit sections and CEMI pockets. The Company will serve upon the OCA and I&E a copy of the two (2) reports referenced above.

B. Revenue Allocation And Rate Design

16. The Settlement Rates reflect the allocation of the annual net increase in electric operating revenue to each rate class agreed to by the Joint Petitioners, as set forth below:

Class(es)	Increase (000)	Percentage Increase
R (Residential) and RH (Residential Heating)	\$84,416	10.9%
GS (General Service)	\$30,617	14.9%
PD (Primary-Distribution)	\$1,250	13.3%
HT (High Tension)	\$9,285	6.4%
EP (Electric Propulsion)	\$757	8.7%
L (Lighting)	\$675	3.4%
Total	\$127,000	10.9%

17. The Settlement Rates reflect the agreement among the Joint Petitioners with respect to PECO’s monthly Fixed Distribution Service (Customer) Charges for Rates R, RH and GS, as follows:

Rates R and RH	\$8.45
Rate GS:	
Single Phase Service Without Demand Measurement	\$14.29
Single Phase Service With Demand Measurement	\$18.20
Polyphase Service	\$43.54

For Rates R, RH and GS, the Variable Distribution Charges were scaled back to produce the class revenues shown in the table in Paragraph 16, above. For all other rate classes, the Fixed Distribution Service Charges under the Settlement Rates were adjusted, and the Variable Distribution Charges were scaled back, to produce the class revenues shown in the table in Paragraph 16, above.⁵

C. In-Program Arrearage Forgiveness (“IPAF”) Cost Recovery

18. The terms of the Joint Petitioners’ agreement on IPAF cost recovery are set forth in Appendix C to this Joint Petition.⁶ Additionally, the Joint Petitioners acknowledge and agree that, pursuant to the terms set forth in Appendix C, the Settlement Rates will allow PECO to collect \$2 million per year as a transition cost associated with IPAF, which is in lieu of the \$5.0 million per year annual amortization initially claimed by PECO.

⁵ Paragraphs 16 and 17 describe the principal elements of the rate structure and rate design incorporated in the Settlement Rates. While every effort has been made to ensure that the description is accurate, if any inconsistency is perceived between that description and the specific rates set forth in Appendix A, the latter shall take precedence.

⁶ Appendix C also sets forth background information that explains the procedural and factual context for the Joint Petitioners’ agreement on this issue.

D. CRR

19. The terms of the Joint Petitioners' agreement with respect to modifications to the Company's proposed CRR are set forth in Appendix D to this Joint Petition. The Joint Petitioners agree that the revisions to PECO's initially proposed CRR that are reflected in Appendix D respond to issues raised in the Joint Statement of Chairman Brown and Commissioner Powelson.

E. Tax Repair Deduction Refund

20. PECO will continue to refund the reductive effect of the tax repair catch-up deduction through a customer bill credit in the same manner it is currently calculating and refunding such credit, pursuant to Paragraph 7.E. of the Joint Petition for Partial Settlement of Rate Investigation at Docket No. R-2010-2161575, except that, commencing on the effective date of the Settlement Rates, the bill credit will reflect 6% simple interest on the monthly unamortized balance of the tax-effected catch-up deduction.

F. FPFTY Reports

21. As provided in I&E Statement No. 3, pages 9-10, on or before April 1, 2016, PECO will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA, and OSBA an update similar to PECO's response to I&E Interrogatory (Set V) No. RB-25, which will set forth its electric division's actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2015. On or before April 1, 2017, PECO will provide a similar update to the response to I&E Interrogatory (Set V) No. RB-25, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2016. In PECO's next base rate proceeding, the

Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2016 to its projections in this case.

G. Distribution System Improvement Charge (“DSIC”)

22. As of the effective date of the Settlement Rates in this proceeding, PECO will be eligible to include plant additions in its proposed DSIC, if approved, once eligible account balances exceed the levels projected by PECO at December 31, 2016. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

H. Depreciation Rates

23. The Joint Petitioners agree and acknowledge that the depreciation rates employed by the Company to calculate depreciation expense as set forth in PECO Exhibit SY-1 were not challenged in this case, are appropriate for ratemaking purposes in this case and that the Company will use such depreciation rates to calculate the depreciation expense it records on its regulated books of account.

I. Smart Meter Costs

24. The Settlement Rates reflect the roll-in to PECO’s electric base rates of costs recoverable under its Smart Meter Cost Recovery Surcharge (“SMCRS”), as explained in PECO Statement No. 8, pp. 9-10. The SMCRS will remain in place as the mechanism for refunding or recouping, as applicable, any over collection or under collection balance that may exist as of the effective date of the Settlement Rates.

J. Revenue Decoupling Collaborative

25. On or before March 1, 2016, PECO will hold a collaborative open to all interested participants to seek input regarding revenue decoupling. All participants reserve their right to raise any and all arguments and positions in the collaborative, or to the Commission, including opposing the implementation of decoupling in whole or in part.⁷

K. Interconnection Of Customer-Owned Generation

26. The Joint Petitioners agree that the Company will revise its terms and conditions for interconnection of customer-owned generation as follows:

Permission to Operate: For Level 1, 2, 3, and 4 interconnection requests, the Company will undertake best efforts to return a fully executed Certificate of Completion, approving the facility for operation, within (i) ten business days from the date of a witness test or inspection that confirms all customer and Company equipment has been properly installed and that all electrical connections meet the Company's requirements, or (ii) ten days after the witness test has been deemed waived.

27. The Joint Petitioners further agree that PECO will provide reports on interconnection processing timelines to the Commission semi-annually.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

28. PECO, I&E, OCA, OSBA, PAIEUG, CAUSE-PA, TURN *et al.*, the City, EDF, KEEF, CAC, NRDC, and TASC have each prepared, and attached hereto as Statements A-M, their Statements in Support setting forth the bases upon which they believe that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

⁷ I&E and PAIEUG are not joining in, but do not oppose, this Settlement term.

29. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- The Settlement provides for an increase in annual net electric operating revenues of \$127 million, or approximately 2.9% (based on total electric operating revenue), in lieu of the \$190 million, or 4.4% (based on total electric operating revenue), increase originally requested. The effect of the increases under the Settlement Rates on a typical customer in each major rate class is set forth in Appendix E.
- The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.
- The Settlement Rates will allocate the agreed upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure/cost of service positions of all Joint Petitioners.
- The Joint Petitioners arrived at the Settlement terms after conducting discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by substantial record evidence.

IV. ADDITIONAL TERMS AND CONDITIONS

30. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. Accordingly, this Settlement may not be cited as legal precedent in any future proceeding, except to the extent required to implement this Settlement.

31. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated.

32. This Settlement is being presented only in the context of this proceeding in an effort to fully resolve the issues presented in this proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

33. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to,

presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

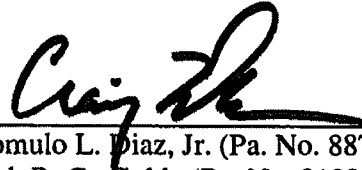
34. If the ALJ, in her Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement or any additional matters proposed by the ALJ in her Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Angela T. Jones and the Commission approve the Settlement embodied in this Joint Petition, including all terms and conditions thereof; and

2. That the Commission find the Settlement Rates to be just and reasonable and grant the Company permission to file the Tariff attached hereto as Appendix A to become effective for service rendered on and after January 1, 2016, which Tariff, *inter alia*, is designed to produce an annual net increase in electric operating revenue of \$127 million.

Respectfully submitted,




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Date: September 10, 2015


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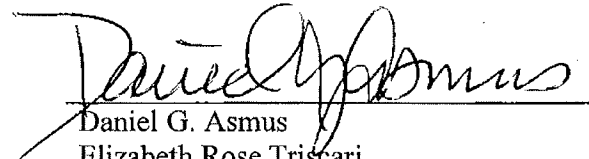
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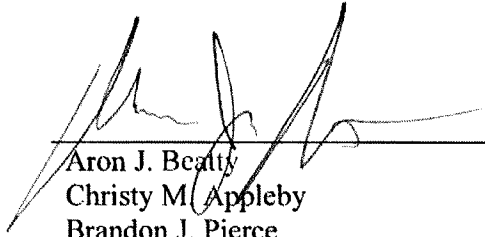
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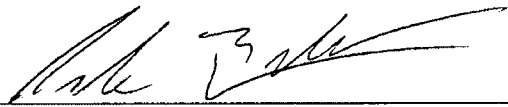
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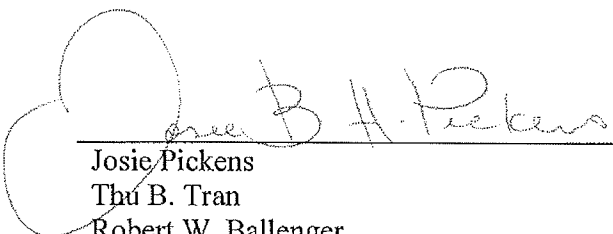
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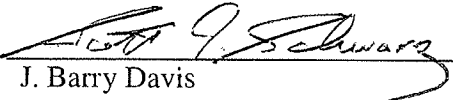
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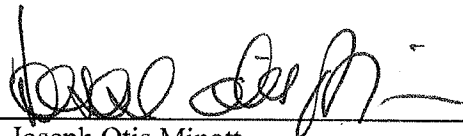
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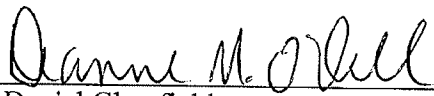
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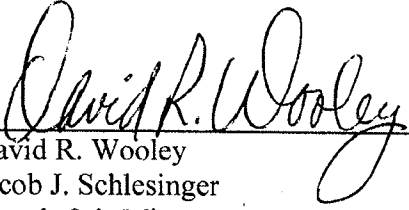
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APPENDIX A

Proposed Tariff (Settlement Rates)

Appendix A

**ELECTRIC PA. P.U.C. NO. 5
SUPERSEDES ELECTRIC PA P.U.C NO. 4 AND ALL SUPPLEMENTS THERETO**

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ELECTRIC PA. P.U.C. NO. 4

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PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19101

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For List of Communities Served, See Page 4.

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Issued XXX X, XXXX Effective January 1, 2016

**ISSUED BY: C. L. Adams – President & CEO
PECO Energy Distribution Company
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PHILADELPHIA, PA. 19101**

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LIST OF CHANGES MADE BY THIS SUPPLEMENT

Definition of Terms and Explanations of Abbreviations – Definition of "Service" updated.
 Rules and Regulations – Rules 6.1 - Company Service Lines, 6.2 – Service-Supply Alterations, 10.8- Relocation of Company Facilities, 12.1 – Limitation of Liability, 14.7 – Meter Reading Intervals updated.
 STATE TAX ADJUSTMENT CLAUSE – effective date updated.
 GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1, 2, 3 – working capital rate is updated.
 GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASS 4 – working capital rate is updated.
 PROVISION FOR THE RECOVERY OF THE UNIVERSAL FUND CHARGE (USFC) - is updated.
 PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS – updated.
 TRANSMISSION SERVICE CHARGE – is updated.
 SMART METER COST RECOVERY SURCHARGE – is updated to reflect "roll-in" into base rates.
 PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS (EEPC) – Phase I EEPC is deleted.
 Rate R Residence Service – pricing updated.
 Rate R-H Residential Heating Service - pricing and availability updated.
 Rate GS General Service – pricing and minimum charge language updated.
 Rate PD Primary-Distribution Power – pricing updated.
 Rate HT High-Tension Power – pricing and delivery points language updated.
 Rate POL Private Outdoor Lighting – pricing updated and LED lamp options added.
 Rate SL-S Street Lighting-Suburban Counties – pricing updated and LED lamp options added.
 Rate SL-E Street Lighting Customer-Owned Facilities – pricing updated.
 Rate TLCL Traffic Lighting Constant Load Service – pricing updated.
 Rate EP Electric Propulsion – pricing and conjunctive billing language updated.
 Rate AL Alley Lighting in City of Philadelphia - pricing updated.
 Applicability Index of Riders – is updated.
 Auxiliary Service Rider - is deleted.
 Capacity Reservation Rider- new rider is added.
 Commercial/Industrial Direct Load Control Program Rider – incentive date is updated.
 Economic Development Rider - is updated.
 Interruptible Rider Mandatory – rider is deleted.
 Interruptible Rider – Voluntary & System Reliability - rider is deleted.
 Night Service GS Rider – pricing is updated.
 Night Service HT Rider - pricing is updated.
 Night Service PD Rider - pricing is updated.
 Residential Direct Load Control Program Rider – incentive date is updated.
 Transformer Rental Rider – page deleted, rider was eliminated on January 1, 2011.
 Voluntary Market Price Transition Deferral Rider – page deleted, rider eliminated.
 Voluntary Market Rate Phase In Rider – page deleted, rider expired on December 31, 2013.
 Wind Energy Service Rider – page deleted, rider expired on December 31, 2012.
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Issued XXX X, XXXX

Effective January 1, 2016

LIST OF COMMUNITIES SERVED

PHILADELPHIA:

CITY AND COUNTY OF Philadelphia.

DELAWARE COUNTY:

CITY: Chester.

BOROUGHs: Aldan, Brookhaven, Chester Heights, Clifton Heights, Collingdale, Colwyn, Darby, East Lansdowne, Eddystone, Folcroft, Glenolden, Lansdowne, Marcus Hook, Media, Millbourne, Morton, Narberth, Norwood, Parkside, Prospect Park, Ridley Park, Rose Valley, Rutledge, Sharon Hill, Swerthmore, Trainer, Upland, Yeadon.

FIRST-CLASS TOWNSHIPS: Aston, Darby, Haverford, Lower Chichester, Lower Merion, Marple, Nether Providence, Radnor, Ridley, Springfield, Tincum, Upper Chichester, Upper Darby.

SECOND-CLASS TOWNSHIPS: Bethel, Birmingham, Chester, Concord, Edgmont, Middletown, Newtown, Thornbury, Upper Providence.

BUCKS COUNTY:

BOROUGHs: Bristol, Chalfont, Doylestown, Dublin, Hulmeville, Ivyland, Langhorne, Langhorne Manor, Morrisville, New Britain, New Hope, Newtown, Pennel, Telford, Tullytown, Yardley.

FIRST-CLASS TOWNSHIPS: Bristol.

SECOND-CLASS TOWNSHIPS: Bedminster, Bensalem, Buckingham, Doylestown, Falls, Hilltown, Lower Makefield, Lower Southampton, Middletown, New Britain, Newtown, Northampton, Plumstead, Solebury, Upper Makefield, Upper Southampton, Warrington, Warwick, Wrightstown.

MONTGOMERY COUNTY:

BOROUGHs: Ambler, Bridgeport, Bryn Athyn, Collegeville, Conshohocken, East Greenville, Green Lane, Hatboro, Jenkintown, Lansdale, Norristown, North Wales, Pottstown, Red Hill, Rockledge, Royersford, Schwenksville, Souderton, Telford, Trappe, West Conshohocken.

FIRST-CLASS TOWNSHIPS: Abington, Cheltenham, Hatfield, Lower Moreland, Lower Pottsgrove, Plymouth, Springfield, Upper Dublin, Upper Gwynedd, Upper Moreland, Upper Pottsgrove, West Norriton, West Pottsgrove, Whitmarsh.

SECOND-CLASS TOWNSHIPS: East Norriton, Franconia, Horsham, Limerick, Lower Frederick, Lower Gwynedd, Lower Providence, Lower Salford, Marlborough, Montgomery, Perkiomen, Salford, Skippack, Towamencin, Upper Frederick, Upper Merion, Upper Providence, Upper Salford, West Vincent, Whitpain, Worcester.

CHESTER COUNTY:

CITY: Coatesville.

BOROUGHs: Avondale, Downingtown, Kennett Square, Malvern, Modena, Oxford, Parkesburg, Phoenixville, South Coatesville, Spring City, West Chester, West Grove.

FIRST-CLASS TOWNSHIP: Cain.

SECOND-CLASS TOWNSHIPS: Birmingham, Charlestown, East Bradford, East Brandywine, East Cain, East Coventry, East Fallowfield, East Goshen, East Marlborough, East Nantmeal, East Nottingham, East Pikeland, East Vincent, East Whiteland, Easttown, Elk, Franklin, Highland, Kennett, London Britain, Londonderry, London Grove, Lower Oxford, New Garden, Newlin, New London, North Coventry, Penn, Pennsbury, Pocopson, Sadsbury, Schuylkill, South Coventry, Thornbury, Tredyffrin, Upper Oxford, Upper Uwchland, Uwchland, Valley, Wallace, Warwick, West Bradford, West Brandywine, West Cain, West Fallowfield, West Goshen, West Marlborough, West Nantmeal, West Nottingham, West Pikeland, West Sadsbury, Westtown, West Vincent, West Whiteland, Willistown.

YORK COUNTY:

BOROUGH: Delta.

SECOND CLASS TOWNSHIPS: Chanceford, Fawn, Lower Chanceford, Peach Bottom.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS

a.c. - alternating current

Advanced Meter - Advanced Meter shall have the meaning set forth in the Electric Generation Supplier Coordination Tariff.

Advanced Meter Services - Advanced Meter Services shall have the meaning set forth in the Electric Generation Supplier Coordination Tariff.

Advanced Meter Service Provider or AMSP - The Company or an EGS that provides Advanced Meter Services.

AEPS - Alternative Energy Portfolio Standard - statute that requires electric distribution companies and electric generation suppliers to acquire a certain percentage of their energy from alternative energy sources.

Available rate - A rate which may be obtained by a customer if the use of service conforms to the character of service contemplated in the rate, and the location is such that this service can be supplied from existing facilities of the Company.

Bad credit - A customer shall be deemed by the Company to have bad credit if the customer has been delinquent on payment of two consecutive bills or three or more bills in the last twelve billing cycles or tendered two or more checks that are subsequently dishonored by a payee according to 13 Pa.C.S. §3502, within the last twelve billing cycles. Industrial and commercial customers also shall be deemed by the Company to have bad credit if the customer is insolvent, (as evidenced by a credit report prepared by a reputable credit bureau or credit reporting agency or public financial data, liabilities exceeding assets or generally failing to pay debts as they become due) or has a class of publicly-traded debt outstanding that is rated to be below investment grade, or tendered two or more checks that are subsequently dishonored by a payee according to 13 Pa.C.S. §3502, within the last twelve billing cycles.

Base Rate (or rate) - The Base Rates are Rates R, R-H, RS-2, GS, PD, HT, POL, SL-S, SL-E, TLCL, EP, and AL.

Billing demand - The calculated or measured demand after correction, if any, for power factor, except that the billing demand may be limited to a minimum figure.

Btu - British thermal unit.

Capacity charge - A charge based upon demand, either with or without power factor correction.

Competition Act - The Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §2801, et seq.

Competitive Energy Supply - unbundled energy and capacity provided by an Electric Generation Supplier.

Consolidated EDC Billing - Billing provided by the Company as provided for in the Electric Generation Supplier Coordination Tariff.

Consolidated EGS Billing - Billing provided by an EGS as provided for in Electric Generation Supplier Coordination Tariff.

Continuous service - Service which the Company endeavors to keep available at all times.

Creditworthy - A creditworthy customer pays the Company's charges as and when due and otherwise complies with the Rules and Regulations of this Tariff or the PaPUC. To determine whether a customer is creditworthy with respect to a particular account, the Company will evaluate the customer's record of paying Company charges for all of the customer's other Company accounts, and may also take into consideration the customer's general credit.

Customer - Any person, partnership, association, or corporation, lawfully receiving service at a single meter location from the Company. For purposes of billing for an Electric Generation Supplier (as defined below), the term customer may include all meter locations for which a summary bill is provided. In addition, unless explicitly prohibited by the Public Utility Code or the Commission's Rules and Regulations, an EGS may act as agent for an end use customer upon written authorization to PECO Energy which may be part of the notice of EGS selection.

Customer's service extension - The facilities extending from the customer's service-receiving equipment to the Company's service supply lines.

Default Service (DS) - The provision of energy or energy and capacity by PECO Energy as Default Service Provider to customers that are (1) not eligible to obtain Competitive Energy Supply, (2) choose not to obtain Competitive Energy Supply, (3) return to default service after having obtained Competitive Energy Supply or Competitive Default Service, or (4) who contract for Competitive Energy Supply from an EGS (as defined below) that fails to deliver such energy or energy and capacity.

Default Service Provider (DSP) - The incumbent EDC within a certificated service territory or a Commission approved alternative supplier of electric generation.

Demand - The maximum rate-of-use of energy during a specified time interval, expressed in kilowatts.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (continued)

Direct Access - Direct Access shall have the meaning set forth in the Competition Act.

Electric Distribution Company (EDC) - Electric Distribution Company (EDC) shall have the meaning set forth in the Competition Act.

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Electric Generation Supplier (EGS) - Electric Generation Supplier (EGS) shall have the meaning set forth in the Competition Act.

Electric Generation Supplier Coordination Tariff (or Supplier Tariff)- PECO Energy's Electric Generation Supplier Coordination Tariff, provides procedures for EGS & PECO EDC interaction to make arrangements necessary to implement Direct Access for retail customers.

Energy Supply Charge - PECO Energy's charge for energy or energy and capacity to customers that receive Default Service.

Energy charge - a charge based upon kilowatt-hours of use.

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FERC - the Federal Energy Regulatory Commission.

Fixed Distribution Service Charge - A charge to recover costs caused by the presence of the customer on the system other than the costs associated with the customer's demand or energy consumption.

Holidays - New Year's Day, Martin Luther King, Jr.'s Birthday, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Friday after Thanksgiving, Christmas Day and Sundays.

Hp, horsepower - As used herein, horsepower shall be computed as the equivalent of 750 watts.

Initial Contract Term - An initial contract term for a service location shall be 1) the customer's first Term of Contract for service to the location or 2) the first Term of Contract after the customer changes service for a location to a different Rate.

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KV, kilovolts - 1000 volts.

KVa, kilovoltampere - Unit of measurement of rate-of-use, which determines electrical capacity, required; it is obtained by multiplying the voltage of a circuit by its amperage.

KW, kilowatt - Unit of measurement of useful power.

KWh, kilowatt-hour - Unit of measurement of energy; an amount equivalent to the use of one kilowatt for one hour.

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Lumen - Unit of measurement of quantity of light.

Measured Demand - A customer's highest demand during a 30-minute time interval in a billing period.

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Month - A month under this Tariff means 1/12 of a year, or the period of approximately 30 days between two regular consecutive readings of the Company's meter or meters installed on the customer's premises.

PaPUC or Commission - The Pennsylvania Public Utility Commission.

PECO Energy or the Company - PECO Energy Company.

Point of Delivery - The single service point at which the service-supply lines of the Company terminate and the customer's facilities for receiving the service begin.

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PJM - PJM shall mean the PJM Interconnection, L.L.C.

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PJM System - PJM System shall mean the transmission facilities located in the Mid-Atlantic Region that are controlled by PJM.

Power Factor - As used herein, power factor is, in a single-phase circuit, the ratio of the watts to the voltamperes, and in a polyphase circuit, is the ratio of the total watts to the vector sum of the volt-amperes in the several phases.

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Principal Office - The Company's Main Office Building is located at 2301 Market Street, Philadelphia, Pa. 19103.

Property Line - The division line between land held in or for private use, and land in which the public or the Company has a right of use; or, the division line between separately owned or occupied land.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (continued)

Separate EDC Billing - Billing provided by the Company as provided for in the Electric Generation Supplier Coordination Tariff.

Separate EGS Billing - Billing provided by an EGS as provided for in the Electric Generation Supplier Coordination Tariff.

Service - The distribution of energy for use by the customer, including all things done by the Company in connection with such distribution.

- standard single-phase secondary: alternating current, 60 hertz:
 - (a) nominally 120/240 volts, 3 wires;
 - (b) nominally 120 volts, 2 wires to installations consisting of not more than two 15-ampere branch circuits;
 - (c) nominally 120/208 volts, 3 wires, for residential service, where available in conjunction with standard polyphase secondary 120/208 volts, 3-phase, 4 wires.
- standard polyphase secondary; alternating current, 60 hertz. Only one service is available to a building. For purposes of determining service capacity limits, a building is defined as a structure, separated from other structures, or a portion of a contiguous structure separated from the remainder of the structure by approved firewalls. When demand or service voltage requires the installation of transformation equipment on the owner's premises, the transformation shall consist of a pad mounted transformer installed at a location provided by the owner and approved by the Company outside the building or a transformer bank installed inside the building in a vault located on the ground floor or one story below grade, meeting National Electrical Code requirements. The Company will not install, own or maintain any conductors inside or beneath a building nor install indoor transformation in areas supplied by or designated to be supplied at 33,000 volts or greater.
 - (a) nominally 120/240 volts, 2-phase, 5 wires; only available in areas supplied by 2-phase distribution facilities located along public highways or private rights-of-way and limited to service capacities of 100 kVa or less;
 - (b) nominally 240 volts, 3-phase, 3 wires; a fourth wire neutral will be extended for the supply of 120/240 volt single-phase equipment in combination with the service where the service capacity required does not exceed 15 kVa on any one of the phases. Where the demand to a single premises exceeds 100 kVa, transformers will be installed on the premises at a suitable location provided by the owner. The service capacity is limited to 300 kVa for transformers located inside the building and 500 kVa for transformers located outside the building.
 - (c) nominally 120/208 volts, 3-phase, 4 wires, (where 3-phase distribution is available) for the exclusive supply of secondary service to a building or group of contiguous buildings occupied by one or more than one customer, with transformers and secondaries installed on the premises at suitable locations provided by the owner. The service capacity is limited to 750 kVa for transformers located either inside or outside the building. When the service capacity exceeds 750 kVa for transformers located either inside or outside of the building the only rate option available to the customer will be Rate HT. When a suitable transformer location is not reasonably available on the premises and the demand does not exceed 100 kVa, service may be supplied at the Company's discretion from aerial distribution facilities located along public highways.
 - (d) nominally 277/480 volts, 3-phase, 4 wires (where 3-phase distribution is available) for the exclusive supply of secondary service to a building occupied by one or more than one customer with transformers and secondaries installed on the premises at suitable locations provided by the owner. The service capacity is limited to 750 kVa for transformers located inside the building and 1,500 kVa for transformers located outside the building. If the service capacity exceeds 750 kVa for transformers located inside the building or 1,500 kVa for transformers located outside the building the only rate option available to the customer will be Rate HT.
- standard primary - unregulated alternating current, 60 hertz, nominally 2,400 volts, 2-phase, 3 wires, or nominally 4,160 volts, 3-phase, 3 or 4 wires. Availability of these voltages is limited to those locations served at these voltages as of July 6, 1987.
- standard high tension - unregulated alternating current, 60 hertz, 3-phase, 3 wires (4-wire, 13 kV service is available in areas that have been converted to 13 kV distribution):

Where two or more such standard voltages are present in a given area, the Company will select the service voltage at which the required service can be supplied most economically. Nominally 13,200, 33,000, 69,000, 138,000 or 230,000 volts as available in the various sections of the Company's service territory for loads of such character as to require supply at one of such voltages in order not to impose unsatisfactory service conditions on the Company's supply system, or for loads of such character that supply at one of such voltages is desired both by the Company and the customer. For service at 13,200 or 33,000 volts, where the customer's demand exceeds 7,000 kW, the owner may be required to provide a suitable location on the premises for the installation of Company's transformation equipment.

The Company's charges for service, which are comprised of the Fixed Distribution Service Charge and Variable Distribution Service Charge, are nonbypassable and must be paid by any customer regardless of the voltage level at which the customer is served.

Service-supply lines - The facilities (conductors, cables, conduits, etc.) extending from the Company's facilities in the highway or other trunk line location to the facilities owned and maintained by the customer.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (continued)

Summary Billing Account - An aggregate bill prepared for two or more meter locations owned or legally controlled by the same partnership, association, corporation, or governmental agency etc. for: (1) the Company's charges for service; and/or (2) an EGS's charges for Competitive Energy Supply, as permitted by Rule 2.2.

Tariff - this Electric Service Tariff comprising the Base Rates, rules and regulations which in conjunction with Pennsylvania Public Utility Law and Pennsylvania Public Utility Commission Regulations govern the distribution of electric energy including all things done by the Company in connection with such distribution, and/or the supply of electric energy under Default Service, and other PaPUC jurisdictional services.

Variable Distribution Service Charge - the variable energy supply charges for the provision of unbundled distribution service, including all things done by the Company in connection with such distribution service.

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RULES AND REGULATIONS

1. THE TARIFF

1.1 FILING AND POSTING. A copy of this Tariff, which comprises the Rates, Rules and Regulations under which service and Default Service will be provided to its customers by PECO Energy, is on file with the Commission and is posted and open to inspection at the Principal Office of the Company. A copy of this tariff is also available on the Company's website at <http://www.peco.com>.

1.2 REVISIONS. This Tariff may be revised, amended, supplemented or otherwise changed from time to time in accordance with the Pennsylvania "Public Utility Law", and such changes, when effective, shall have the same force as the present Tariff.

1.3 APPLICATION. The Tariff provisions apply to everyone lawfully receiving service from the Company, under the rates therein, and the recipient of service, whether service is based upon contract, agreement, accepted signed application, or otherwise, shall be subject to the terms of the Tariff. In addition, the rates therein shall apply to everyone receiving service unlawfully or otherwise, including unauthorized use as referred to in Rule 4.7 of this Tariff. A customer will receive service under the rates and riders of this tariff effective with their first scheduled billing cycle after the effective date of the tariff or as otherwise indicated in this tariff.

1.4 BASIS OF CHARGE. Time elapsed is a factor in the supply of service and the rates and minimum charges named in this Tariff, while predicated on periods of supply of not less than one year, are stated in values for direct application only to monthly periods of service supply and will be adjusted for application to service supplied during other time intervals.

1.5 RULES AND REGULATIONS. The Rules and Regulations, filed as part of this Tariff, are a part of every contract for service made by the Company and govern all classes of service where applicable, unless specifically modified by a rate or rider provisions. The obligations imposed on customers in the Rules and Regulations apply as well to everyone receiving service unlawfully and to unauthorized use of service.

1.6 USE OF RIDERS. The terms governing the supply of service under a particular Base Rate may be modified or amended only by the application of those standard riders, filed as part of this Tariff, which are specifically mentioned as applicable to that rate in the Applicability Index of Riders.

1.7 STATEMENT BY AGENTS. No representative has authority to modify a Tariff rule or provision, or to bind the Company by any promise or representation contrary thereto.

2. SERVICE LIMITATIONS

2.1 CHARACTER. This Tariff applies only to the distribution and/or supply of electric energy of the standard characteristics available in the locality in which the premises to be served are situated. The Company does not offer to distribute and/or supply electric energy of nonstandard characteristics.

2.2 SINGLE-POINT DELIVERY. Unless otherwise stated therein, the Base Rates in this Tariff for each class of service are based upon the Company's distribution and/or supply through a single delivery and metering point for the total requirements at each separate premises of any person, partnership, association, or corporation, lawfully receiving service. Separate distribution and/or supply for the same customer at other points of consumption shall be separately metered and billed, except that: (1) when the Company is providing Consolidated EDC Billing, the Company will provide summary billing of its charges for and/or an EGS' charges (if requested by the EGS) for Competitive Energy Supply; and (2) when the Company is providing Separate EDC Billing, the Company will provide summary billing of its charges.

2.3 SINGLE-POINT AVAILABILITY. Service delivered at a single point is available to one or more buildings or units devoted essentially to a single purpose, provided and so long as:

- (a) Such buildings or units are:
 - (1) held, possessed, and either utilized or operated as a single establishment by a single responsible entity, and
 - (2) unified on the basis of family, business, industry, enterprise, or governmental agency or through conveniences and services, such as heat, elevator, janitor, care of halls, walks and lawns, etc., furnished by such entity, and
 - (3) situated on a single or on contiguous land parcels except where such buildings or units constitute interdependent parts of a single industrial enterprise. In determining "contiguity" hereunder of parcels abutting opposite sides of public or private ways, the boundaries of such parcels shall be considered as extending to the center of such ways.
- (b) There is granted and maintained to the Company easement or other rights, adequate in the Company's reasonable judgment to supply service direct to any such buildings or units if, as and when a cessation of any one or more of the conditions stated in paragraph lettered "a" above should occur, or there should arise in any manner a Company duty of such direct supply.

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RULES AND REGULATIONS (continued)

- (c) The transforming, receiving and distribution facilities on the customer's side of the delivery point are:
 - (1) furnished, installed and maintained at the expense of the customer, and
 - (2) owned or leased by the customer, and
 - (3) operated and controlled by or at the expense of the customer.
- (d) The Company is under no legal obligation of direct supply to any portion of said building or units or their appurtenances.
- (e) A guarantee by deposit or otherwise is given and maintained to the Company sufficient in its reasonable judgment to insure it against loss in primary, secondary and/or distribution investment in the event of change in the nature of holding and possession of such buildings or units, or in the occupancy thereof, or in the type of service delivered thereto.
- (f) All utilization equipment on the customer's side of the Company delivery point is furnished, installed, operated and maintained by the operator of the building or units supplied or by the tenants of such operator whose use of electricity is dependent upon the single-point delivery and metering of service.
- (g) Any use of public highways by such operator for the latter's distribution facilities does not conflict or interfere with the franchise rights of the company.

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2.4 COMPLIANCE WITH AVAILABILITY. The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the applicable Base Rate and/or riders.

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2.5 SINGLE-PHASE UP TO 150 KVA. Single-phase secondary service is available for loads up to 150 kVa. Loads in excess of this amount will be supplied polyphase service.

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2.6 POLYPHASE LOADS AGGREGATING LESS THAN 7-1/2 HP. Polyphase service is not available for installations aggregating less than 7-1/2 horsepower, unless the excess cost of supplying polyphase rather a single-phase service is borne by the customer.

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2.7 MOTORS. Service is not available to motors which do not meet the Company's standard requirements.

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2.8 COMPLIANCE WITH BUILDING ENERGY CONSERVATION ACT STANDARDS. Before receiving any electric service to or for new or renovated residential buildings or additions thereto, as defined by Pennsylvania Building Energy Conservation Act (BECA) as amended by Act 98 of 1985, applicants for service must provide the Company with the compliance certification copy of the Pennsylvania Department of Community Affairs (DCA) "Notice of Intent to Construct" form as processed by DCA. A compliance certification copy of "Notice of Intent to Construct" will not be required by the Company if the new or renovated residential building is located in a municipality which has elected to administer the BECA and requires that a notice of intent to construct be filed with the municipality before or at the time that application is made for a building permit and the notice has, in fact, been filed.

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3. CUSTOMER INSTALLATION

3.1 INFORMATION FROM THE CUSTOMER. The Company should be advised by the customer or applicant for service, in writing, preferably on a form supplied by the Company, of premises to be equipped for service, giving exact location, and details of all current consuming devices to be installed.

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The customer shall supply the Company any and all information in its possession regarding potential or actual contamination, waste or hazardous materials or other adverse environmental conditions on the customers' premises on or near where the Company facilities are to be located. The customer has a continuing obligation to provide the Company with such information relating to the premises as the customer receives it. The Company also has a continuing right to inspect the customers' premises for the purposes of performing an environmental assessment.

3.2 METER LOCATION. There shall be provided, free of expenses to the Company, at a location outdoors, unless otherwise designated by the Company or another AMSP, which the Company or another AMSP will designate in writing upon request, a suitable place for the meter or meters and any other supply, protective or control equipment of the Company or another AMSP which may be required in the provision of service. The customer shall provide access and space, in an amount deemed necessary by the Company, to install and maintain its meter(s) and equipment. This location shall be convenient, unimpeded and easily accessible to the Company's employees, contactors and agents. The Customer shall also minimize any risk for damage and/or harm to the Company's employees, contractors, agents and equipment at the meter location. There also must not be any impediment or obstruction of the Company's ability to receive, an adequate communication signal from its meter(s) for remote reading purposes. The meter(s) location shall also be situated so that the meter(s) are not concealed, but shall be situated in a fashion acceptable to the Company.

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3.3 POINT OF DELIVERY. The Company will designate in writing, upon request, a satisfactory point of delivery where the customer shall terminate the wiring and facilities for connection to the distribution lines of the Company. The failure to request and obtain such location may result in refusal of service pending rearrangement of customer's facilities, but the designation of a point of delivery does not constitute an agreement or obligation on the part of the Company to furnish service.

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In establishing a point of delivery, the Company has the right to avoid areas known or suspected to contain contamination, waste or hazardous materials or other adverse environmental conditions. The customer will have the option of extending its own facilities to the

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The Company may waive this right of avoidance upon agreement by the customer or applicant to indemnify, defend, and hold harmless the Company (its successors, assigns, trustees, officers, employees and agents) from and against all actions, causes of action, claims and demands whatsoever, and from all costs, damages, expenses, losses, charges, debts and liabilities whatsoever

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RULES AND REGULATIONS (continued)

(including attorney's fees), whether known or unknown, present or future, that arise from such conditions. This indemnification provision shall survive the termination or expiration of said agreement and the termination of the business relationship of the parties thereto.

3.4 SERVICE ENTRANCE EQUIPMENT. All equipment beyond the point of delivery, except the meter, shall be installed by the customer. Installation shall be in conformity with the National Electrical Code and the Company's published "Electric Service Requirements", and shall include, where necessary, an approved sealable device for mounting a meter. The meter will be supplied, owned and sealed by the Company or another AMSP.

3.5 SECONDARY SERVICE CONNECTION. (a) Wiring of any premises for connection to overhead lines must be brought outside of the building wall to a location designated or approved by the Company, at which point the house wiring must extend at least 3 feet for attachment to the Company's service-supply lines. (b) Service connections to the Company's underground facilities shall terminate on the customer's premises in an approved connection box from which customer's wiring shall extend to the other service entrance equipment.

3.6 UNDERGROUND SERVICE. Customers desiring an underground service from overhead wires must bear the excess cost incident thereto. Specifications and terms for such construction will be furnished by the Company on request.

3.7 NONSTANDARD SERVICE. The customer or applicant for service shall pay the cost of any special installation necessary to meet the unusual requirements of the customer or applicant for service, including but not limited to: (1) service at other than standard voltages, (2) service for loads that will be intermittent and which, in the Company's sole judgment, would not generate sufficient revenue to recover the installation costs of the required facilities, (3) service for loads that will be continuous but that will generate minimal usage, and which, in the Company's sole judgment, would not generate sufficient revenue to recover the installation costs of the required facilities, and (4) service for loads that will require provision of closer voltage regulation than required by standard service. The customer or applicant shall pay all costs to the Company of performing environmental assessments, including, but not limited to, the cost of consultants utilized by the Company, the cost of removal and disposal of contamination, waste or hazardous materials or dealing with other adverse environmental conditions associated with either the initial installation, modification, repair, maintenance or removal of service facilities.

3.8 RELAY PROTECTION. The customer must install at the customer's own expense a reverse-phase relay of approved type on all alternating current motors for passenger and freight elevators, hoists, and cranes, and a reverse-power relay for parallel operation.

4. APPLICATION FOR SERVICE

4.1 PLACE OF APPLICATION. Customers may apply for service at the Company's Principle Office or, in some cases, over the telephone.

4.2 SERVICE CONTRACT. Every applicant for service may be required to sign a contract, agreement, or other form then in use by the Company, covering the special circumstances of the use of service, and shall abide by these Rules and Regulations and the standard requirements of the Company.

4.3 CONTRACT DATA. The application shall contain a statement of the premises to be served, the rate under which service is desired, and such conditions or riders as are applicable to the special circumstances of the case.

4.4 RIGHT TO REJECT. The Company may place limitations on the amount and character of service it will supply or may reject applications for service: not available under a standard rate; which might affect service to other customers; which is to be delivered at a location or at a standard voltage that involves excessive cost; for bad credit; for the applicant's failure to provide identifying documentation; when an applicant's self-identification cannot be verified; or for other good and sufficient reasons. Customers cannot be denied Default Service or new service for failure to pay an EGS's charges.

The Company has the right to restrict service to only those locations which will not expose the Company to liability for known or suspected contamination, waste or hazardous materials or other adverse environmental conditions.

4.5 ACCEPTANCE. Before the Company affirmatively accepts an application, the Company will consider the application to be "pending". When an application is accepted, it constitutes the contract between the customer and the Company, subject to the Rules and Regulations. A customer or other recipient of service also becomes contractually obliged to the Company when service is provided according to the application either with or without modification, or when the customer otherwise receives service.

4.6 SPECIAL CONTRACTS. Standard contracts shall be for terms as specified in the statement of the rate, but where large or special investment is necessary for the supply of service, or where service is to be used for an emergency or temporary replacement of another method of operation, contracts of longer term than specified in the rate, or with special guarantees of revenue, or both, may be required.

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RULES AND REGULATIONS (continued)

4.7. UNAUTHORIZED USE. Unauthorized connection to the Company's facilities, and/or the use of service obtained from the Company without authority, or by any false pretense, may be terminated by the Company. The use of service without notifying the Company or the AMSP and enabling them to read its meter will render the user liable for any amount due for service provided to the premises from the time of the last reading of the meter, immediately preceding the customer's occupancy, as shown by the Company's books.

4.8. WITHDRAWAL OF APPLICATION. In the event the customer (or potential customer) withdraws an application for either new or modified service, the customer will reimburse the Company for all reasonable costs incurred by the Company in anticipation of providing the new or modified service.

5. CREDIT

5.1. PAYMENT OBLIGATION. For customers for whom the Company provides Consolidated EDC Billing or Separate EDC Billing, the provision of service for any purpose, at any location, is contingent upon payment of all charges provided for in this Tariff (and, for the same class of service (residential or non-residential) under the Company's Gas Service Tariff, if the customer also receives gas service at the same premises) as applicable to the location and the character of service.

- The Company may, at its discretion, determine liability for a past due balance by:
- 1) Use of Company records that contain information previously provided to the Company;
 - 2) Information contained on a valid mortgage, lease, deed or renter's license;
 - 3) Use of commercially available public records databases;
 - 4) Government and property ownership records.

5.2. PRIOR DEBTS. Service will not be furnished to former customers until any indebtedness to the Company for previous service of the same or similar classification has been satisfied or a payment arrangement has been made on the debt. This rule does not apply to the disputed portion of disputed bills under investigation. The Company will apply this rule to the disputed portion of disputed bills, if, and only if: (1) the Company has made diligent and reasonable efforts to investigate and resolve the dispute; (2) the result of the investigation is that the Company determines that the customer's claims are unwarranted or invalid; (3) the Commission and/or the Bureau of Consumer Services has decided a formal or informal complaint in the Company's favor and no timely appeal is filed; and (4) the customer nevertheless continues to dispute the same matter in bad faith.

5.3. GUARANTEE OF PAYMENTS. The Company may charge a security deposit before it will render service to an applicant or before the Company will continue to render service to a customer for whom the Company provides Consolidated EDC Billing or Separate EDC Billing. The Company may charge deposits to applicants and customers if they have bad credit, lack creditworthiness or as otherwise permitted by Commission statutes, rules, regulations, and as required by Federal Bankruptcy Law. The applicant or customer may be required to provide a cash deposit, letter of credit, surety bond, or other guarantee, satisfactory to the Company. The Company will hold the deposit as security for the payment of final bills and in compliance with the Company's Rules and Regulations. In addition, the Company may require industrial and commercial customers for which it may provide Consolidated EDC Billing or Separate EDC Billing to post a deposit at any time if the Company determines that the customer is no longer creditworthy or has bad credit or as otherwise permitted by Commission statutes, rules, regulations and as required by Federal Bankruptcy Law. The Company retains the right to charge customers additional deposits based upon continued bad credit or lack of creditworthiness and increased usage.

5.4. AMOUNT OF DEPOSIT. For residential customers the deposit will be equal to one-sixth of the applicant's or customer's estimated annual bill for Company charges, based on applicable rates. A deposit from a residential customer shall conform to the requirements of 66 Pa. C.S. 1404(c) and applicable Pennsylvania Public Utility Commission regulations. For industrial and commercial accounts, the amount of the deposit shall be the Company's projection of the sum of the Company charges in the customer's two highest monthly bills in the 12 months following the deposit. The provisions of 11 U.S.C. §366(b) of the Federal Bankruptcy Code, or any successor statute or provision, shall, if inconsistent, supersede the provisions of this rule.

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5.5 RETURN OF DEPOSIT. Deposits secured from a residential customer shall either be applied with interest to the customer's account or returned to the customer with interest in accordance with 66 Pa. C.S. §1404(C) and applicable Pennsylvania Public Utility Commission regulations. In cases of discontinuance or termination of service, deposits will be returned with accrued interest upon payment of all service charges and guarantees or with deduction of unpaid accounts. Effective July 1, 2011, PECO will return the deposit on a non-residential account if the account incurred fewer than two late payments in the previous 24 months. The first annual review of the customer's payment status will occur 24 months after the initial deposit date. Any residential or commercial customer having secured the return of the deposit may be required to make another deposit in accordance with Commission statutes, regulations or Federal Bankruptcy Law if the Customer demonstrates bad credit or lacks creditworthiness subsequent to the return of the initial deposit.

5.6 INTEREST ON DEPOSIT. The Company will allow simple interest on cash deposits calculated as follows:

(A) with respect to residential accounts,

1. interest accrued prior to December 14, 2004, at an annual rate determined by the average of the 1-Year Treasury Bills for September, October and November of the previous year ("Interest Index");
2. interest accrued on or after December 14, 2004, at an annual rate determined by the legal rate of interest pursuant to 66 Pa. C.S.A. § 1404(C)(6);

(B) with respect to commercial and industrial accounts, at the lower of the Interest Index or six percent; provided that interest accrued prior to April 14, 1995 shall be calculated at six percent.

Deposits shall cease to bear interest upon discontinuance of service (or, if earlier, when the Company closes the account).

5.7 CREDIT INFORMATION.

CUSTOMERS: In addition to information required otherwise hereunder, customers for whom the Company provides Consolidated EDC Billing or Separate EDC Billing shall be required to provide to the Company with such credit information, as the Company requires. The Company may report to a national credit bureau on credit history associated with past due amounts.

APPLICANTS: The Company's credit and application procedures for applicants are as follows: (1) positive identification of applicant obtained from previous customer record or through one of the major credit reporting bureaus or through in-person identification; (2) determination of liability for a past due balance; (3) determination if a deposit is required based upon applicant's previous account history if available or through third party credit scoring of applicant.

The Company's credit scoring methodology and standards are as follows: The Company uses a commercially recognized credit scoring methodology that is within the range of generally accepted industry practice. The applicant's or customer's utility payment history determines the credit score. The Company uses this customer-specific credit score to either request or waive a security deposit.

5.8 APPLICABILITY TO CUSTOMERS RESIDING AT PLACE OF BUSINESS. For purposes of all of the provisions of this Rule 5, when a customer resides at a place of business or commercial establishment, legitimately served pursuant to a commercial or industrial rate schedule, that is not a residential dwelling unit attached thereto, the customer is not thereby entitled to any of the protections in the Pennsylvania Public Utility Code or the Commission's regulations implementing the Pennsylvania Public Utility Code, or to any of the provisions of these rules or this Tariff, that apply exclusively to deposits for residential customers.

6. PRIVATE PROPERTY CONSTRUCTION

6.1 COMPANY'S SERVICE LINES. Where the Company has distribution facilities of adequate capacity on the highway or in other trunk line location adjacent to the premises to be served, it will provide, own and maintain standard service-supply lines as follows:

(a) **UNDERGROUND:**

Underground cable construction to a point of delivery approximately 18 inches inside the property line of the customer, except:

- (1) For secondary service to new residences or new apartment buildings, underground cable construction will be extended to a meter location or connection box located at the building or buildings, as designated by the Company and in accordance with Rule 7.3.
- (2) The Company will make necessary repairs to customer-owned extensions of secondary service-supply lines for residential customers at no charge. If such customer-owned extension requires replacement, the Company will make the replacement and assume ownership of the service-supply line with the Company bearing the cost up to 200 feet in length and the customer bearing the cost for all additional length.

(b) **AERIAL:**

A single span of aerial open wire or cable construction to the first suitable support of the customer, nominally 100 feet inside the property line of the customer. This customer support shall establish the point of delivery for the customer. The customer's support shall be so located that the service span will be free of obstruction and adequately supported as required by the size and weight of the conductors.

6.2 SERVICE - SUPPLY ALTERATIONS. Changes related to a service-supply line or a meter owned by the Company, including the installation of protective devices or visual markers to denote safe operating distance from the Company's facilities, for the accommodation of the customer, shall be at the expense of the customer. If the alteration to the Company's facilities is temporary in nature and the materials used in that alteration can later be re-used by the Company, as for example the installation of protective "hard cover" to allow a customer, developer, or contractor to work safely in close proximity to the Company's facilities, then at the Company's discretion it may charge a refundable deposit in lieu of charging the customer for the cost of the re-usable materials.

6.3 CUSTOMER'S SERVICE EXTENSION. The customer shall provide, own and maintain the service extension from the Company's service-supply lines to the point of delivery and receiving equipment.

6.4 METERS AND TRANSFORMERS. The Company will provide, own and maintain any meter or meters, and also the transformer or transformers (both potential and current type transformers), required in the supply of service of the current characteristics specified by the Base Rate or rider under which the service is provided, unless the customer receives Advanced Meter Services from an AMSP in that case such AMSP will install, provide, own, and/or maintain the Customer's meter or meters while the Company will continue to own the potential and current type transformers. The supply of transformers by the Company shall be limited to those required for a single standard transformation.

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6.5 TRAILER PARKS. Where it is established by plans, development, use or other facts that the operation of a trailer park is predominantly to provide rental locations for non-transient trailers, with not less than two nor more than four such locations, the Company, upon written application of the trailer park operator and upon the receipt of an enabling agreement and of adequate rights-of-way, will construct, own and operate within the trailer park specified aerial electric energy, the trailer park operator being liable for payment of service to trailer park tenants not contracting in writing for service in their own names. The Company's obligation to install or extend such distribution facilities within the trailer park is limited to the investment warranted by the anticipated revenue. Alterations of such distribution facilities at the request of the park operator when not for the purpose of serving additional trailer rental locations will be at the cost of the trailer park operator. A trailer park operator desiring underground distribution facilities within a trailer park consisting of less than five locations must bear the excess cost incident thereto. Specifications and terms for such underground construction will be furnished by the Company on request. In new trailer parks consisting of five or more locations, underground distribution facilities will be extended in accordance with Rule 7.3.

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7. EXTENSIONS

7.1 TRUNK LINE CONSTRUCTION. The Company will construct, own and maintain overhead or underground distribution facilities, either secondary, primary, or high tension, located on the highway or on rights-of-way acquired by the Company and used or usable as part of the Company's general distribution system.

7.2 LINE EXTENSIONS FOR STANDARD SERVICE

A. **DEFINITIONS.** For the purposes of this rule, when capitalized herein, the below terms shall have the following meanings:

(1) **Line Extension** -- A single-phase or polyphase addition to the public utility electric supply line for the purpose of supplying standard service (as described under Rule 2 above, but not including Line Extensions for nonstandard service as described in Rule 3.7 above) to and connected with the customer's point of delivery which addition is so located that it cannot be supplied by means of a service line from the existing electric supply line.

(2) **Contractor Cost** -- The amount paid by the Company to a contractor for work performed on a Line Extension.

(3) **Customer** -- End use customer of the Company, or a developer.

(4) **Direct Labor Cost** -- The pay and expenses of the Company employees directly attributable to work performed on Line Extensions, but not including construction overheads or payroll taxes, workmen's compensation expenses or similar indirect expenses.

(5) **Direct Material Cost** -- The purchase price of materials used for a Line Extension, but not including related storage expenses. In computing Direct Material Costs, proper allowance shall be made for unused materials, materials recovered from temporary structures, and discounts allowed and realized in the purchase of materials.

(6) **Total Construction Cost** -- For single-phase Line Extensions, the estimated total cost to the Company for the construction of the Line Extension, which cost shall include: Contractor Cost, Direct Labor Cost, and Direct Material Cost. For polyphase Line Extensions, the estimated total cost to the Company for the construction of the Line Extension, which cost shall include: Contractor Cost, Direct Labor Cost, Direct Material Cost and allocated overheads.

(7) **Capacity Adjusted Cost** -- For polyphase Line Extensions, the Total Construction Cost of a Line Extension multiplied by the percentage of that Line Extension's capacity installed to serve the Customer's capacity needs.

(8) **Revenue Guarantee Contribution** -- The estimated Variable Distribution Service Charges, as defined in the "Definitions of Terms and Explanation of Abbreviations" Section of this tariff, to be received by the Company from the Customer for a twelve (12) month period commencing with the first month after the Line Extension is completed.

B. **SINGLE-PHASE LINE EXTENSIONS FOR STANDARD SERVICE.** For a Customer whose use of the Line Extension is not speculative, the Company will construct a single-phase Line Extension as follows. The Company will construct a Line Extension up to 2,500 feet without a charge to the Customer. For Line Extensions over 2,500 feet, a Customer shall pay the Company a contribution in aid of construction ("CIAC") equal to the amount by which the Total Construction Cost of the Line Extension beyond 2,500 feet exceeds the Customer's Revenue Guarantee Contribution for the first three (3) year period after the Line Extension is completed. A Customer who is not a developer must pay the CIAC in full prior to the construction of the single-phase Line Extension.

C. **POLYPHASE LINE EXTENSIONS FOR STANDARD SERVICE.** For a Customer whose use of the Line Extension is not speculative, the Company will construct a polyphase Line Extension, as follows. A Customer must pay the Company a CIAC equal to the amount by which the Capacity Adjusted Cost of the Line Extension exceeds the Customer's Revenue Guarantee Contribution for the first five (5) year period after the Line Extension is completed. A Customer who is not a developer must pay the CIAC in full prior to the construction of the polyphase Line Extension.

D. **DEVELOPERS.** Prior to the construction of any Line Extension, a developer may, in lieu of paying the full CIAC, pay a minimum of 35 percent (35%) of the CIAC and, for the remaining amount, post a surety bond in a form reasonably acceptable to the Company. The unpaid portion of the CIAC is subject to interest at the then applicable prime rate and is payable no later than twelve (12) months from the date of the initial payment.

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E. SPECULATIVE LINE EXTENSIONS. A Line Extension is speculative when, in the Company's reasonable opinion there is doubt: (1) as to the continued use, or the level of use, of the new Line Extension by the Customer; or (2) as to the Company's recovery of the Total Construction Cost for a polyphase Line Extension if a Capacity Adjusted Cost is applied.

Under the first scenario of a speculative Line Extension, the Company will construct the Line Extension for a Customer, as follows: pursuant to an individual contract between the Customer and the Company, in addition to any CIAC, the Customer may be required to provide the Company a customer advance in the form of an up-front payment, or, if mutually agreed to by the Customer and the Company, a surety bond in the amount of the Customer's Revenue Guarantee Contribution used in the CIAC calculation as set forth in Part B or C above, as applicable ("Customer Advance"). If, after three (3) years for a single-phase Line Extension, or five (5) years for a polyphase Line Extension, the Customer's Variable Distribution Service Charges have met or exceeded the Customer Advance, the Company will either: (1) return the Customer Advance to the Customer if an up-front payment has been made; or (2) terminate the Customer's obligation to maintain the surety bond.

Under the second scenario of a speculative Line Extension, the Company will construct a polyphase Line Extension for a Customer, as follows: the Customer must pay the Company a CIAC equal to the amount by which the Total Construction Cost of the polyphase Line Extension exceeds the Customer's Revenue Guarantee Contribution for the first five (5) year period after the Line Extension is completed. The Customer may receive a refund of all or part of the CIAC paid if, during that five (5) year period, additional Customers have connected to the Line Extension for which the Customer paid the CIAC. The refund, if any, will be calculated based on the load of the connecting Customers.

7.3 UNDERGROUND SERVICE IN NEW RESIDENTIAL DEVELOPMENTS.

A. For the purposes of this rule, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise:

1. Applicant For Electric Service - The developer of a recorded plot plan consisting of five or more lots; or one or more five-unit apartment houses.
2. Developer - The party responsible for construction and providing improvements in a development; that is, streets, sidewalks, and utility-ready lots.
3. Development - A planned project which is developed by a developer/applicant for electric service set out in a recorded plot plan of five or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, mobile homes, or apartment houses, all of which are intended for year-around occupancy, if electric service to such lots necessitates extending the Company's existing distribution lines.
4. Distribution Line - An electric supply line of untransformed voltage from which energy is delivered to one or more service lines.
5. Service Line - An electric supply line of transformed voltage from which service is delivered to the residence.
6. Subdivision - A tract of land divided by a subdivider into five or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, or apartment houses, all of which are intended for year-around occupancy, if electric service to such lots necessitates extending the Company's existing distribution lines.

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B. INSTALLATION OF DISTRIBUTION AND SERVICE LINES. All distribution and service lines installed pursuant to an application for electric service within a development will be installed underground, and will be owned and maintained by the Company. Pad-mounted transformers may be installed at the option of the Company. Excavating and backfilling will be performed by the developer of the project or by such other agent as the developer may authorize. Installation of service-related facilities will be performed by the Company or by such other agent as the Company may also be installed underground, upon terms and conditions prescribed elsewhere in this tariff. The Company will not be liable for injury or damage occasioned by the willful or negligent excavation breakage, or other interference with its underground lines occasioned by anyone other than its own employees or agents.

Nothing in this section shall prohibit the Company from performing its own excavating and backfilling for greater system design flexibility. However, no charges other than those specified in Section 57.83(4) of Title 52 shall be permitted.

C. APPLICANTS FOR SERVICE. The applicant for service to a development shall conform with the following:

- (1) At its own cost, provide the Company with a copy of the recorded development plot plan identifying property boundaries, and with easements satisfactory to the Company for occupancy by distribution, service and street-lighting lines and related facilities.
- (2) At its own cost, clear the ground in which the lines and related facilities are to be laid of trees, stumps and other obstructions, provide the excavating and backfilling subject to the inspection and approval of the Company, and rough grade it to within six inches of final grade, so that the Company's part of the installation will consist only of laying of the lines and installing other service-related facilities. Excavating and backfilling performed or provided by the applicant will follow the Company's underground construction standards and specifications set forth by the Company in written form and presented to the applicant at the time of application for service and presentation of the recorded plot plan to the Company. If the Company's specifications have not been met by the applicant's excavating and backfilling, such excavating and backfilling will be corrected or redone by the applicant or its authorized agent. Failure to comply with the Company's construction standards and specifications permits the Company to refuse utility service until such standards and specifications are met.
- (3) Request service at such time that the lines may be installed before curbs, pavements and sidewalks are laid; carefully coordinate scheduling of the Company's line and facility installation with the general project construction schedule, including coordination with any other utility sharing the same trench; keep the route of lines clear of machinery and other obstructions when the line installation crew is scheduled to appear; and otherwise cooperate with the Company to avoid unnecessary costs and delay.
- (4) Pay to the Company any necessary and additional costs incurred by the Company as a result of the following:
 - a) Installation of underground facilities that deviate from the Company's underground construction standards and specifications if such deviation is requested by the applicant for electric service and is acceptable to the Company.
 - b) A change in the plot plan by the applicant for electric service after the Company has completed engineering for the project and/or has commenced installation of its facilities.
 - c) Physical characteristics such as oversized lots or lots with extreme set-back where under the Company's line extension policy contained in this tariff a change is mandated for overhead service.
- (5) No charges other than those described in paragraph (4) of this subsection shall be borne by the applicant for electric service or by any other utility sharing the same trench, even if the Company elects to perform its own excavating and backfilling.

D. APPLICABILITY. The provisions of this rule will apply to all applications for service to developments, herein before defined, which are filed after the effective date of this tariff.

E. SUBDIVISIONS. Underground facilities in new residential developments are only required by Sections 57.81 through 57.87 of Title 52 when a bona fide developer exists, i.e., only when utility-ready lots are provided by the developer. A mere subdivision is not required to have underground service. However, should the lot owner or owners in a subdivision desire underground service, such service shall be provided by the Company if such lot owner or owners, at their option, either comply with Section 57.83 of title 52, or pay to the Company such charges as are contained in the Company's tariff for service not required by Title 52.

7.4 TAX ACCOUNTING OF CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER ADVANCES. All contributions in aid of construction (CIAC), customer advances or other like payments received by the Company shall constitute taxable income as defined by the Internal Revenue Service. The income taxes on such CIAC or customer advances will be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with CIAC or customer advances will not be charged to the specific contributor of the capital.

8. RIGHTS-OF-WAY

8.1 TERM AND RENTALS. When the premises of a customer is so located that the customer can be served only by facilities extending over the property of another, the customer shall accept service for such term as is provided in a permit or other applicable agreement covering the location and the maintenance of service equipment, and shall reimburse the Company for any and all special or rental charges that may be made for such rights by said permit or agreement.

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RULES AND REGULATIONS (continued)

10.8 RELOCATION OF COMPANY FACILITIES REQUESTED BY NON-RESIDENTIAL PROPERTY OWNERS. Except as otherwise provided by law (e.g., 66 Pa.C.S. Section 2704, et seq.), a non-residential property owner, such as a builder, developer or contractor (Owner), shall pay to the Company the costs of relocation of Company facilities or equipment, made for the accommodation of the Owner or in fulfillment of the Owner's obligation to any public authority. If the facility relocation is made to accommodate the Owner's project or in fulfillment of the Owner's obligation to any public authority, then the Owner shall be responsible to pay PECO for the relocation costs even if the relocation request is made by an entity other than the Owner. A request for relocation of Company facilities shall be in writing. The relocation cost shall include labor (including overhead), materials, storeroom expense and transportation, less the depreciated value of any equipment replaced. Where the relocation is done in conjunction with construction of a supply line to a development, the Company shall include in the relocation cost only those costs caused by the Owner's request. The Company will notify the Owner in writing of the relocation cost. Advance payment of relocation costs will be required before the Company will commence the work, except, at the sole discretion of the Company, under special circumstances.

Where the relocation relates to a development that will generate additional revenue for the Company, the Company will give the Owner an initial credit against the relocation costs in an amount not to exceed 5% of the estimated annual revenue recovered through the Company's tariffed Variable Distribution Service Charges from the portion of the development under construction at the time of the relocation request. The Company will give the Owner an additional credit against relocation costs not to exceed 5% of the estimated additional revenue recovered through the Company's tariffed Variable Distribution Service Charges realized from new load on the PECO Energy system due to buildings not under construction at the time of the initial relocation but that are under roof within a five (5) year period from the date of completion of the relocation work. Credits will be held by the Company and distributed to the owner, on a pro-rated basis, as additional loads from the development are connected to PECO Energy's distribution system. No credits will be given for loads connected after the five year period from the date of completion of the relocation work. When the relocation is done in conjunction with extension of a line in accordance with §7.2 of the Tariff, the Company will include in the credit calculation only such estimated annual revenue that exceeds the minimum revenue guarantee required by §7.2. The cost and expense of project changes which require a second relocation of the same Company facilities shall be borne solely by the party requesting the change without offset or credit.

10.9 AERIAL LINE CLEARANCE. In accordance with the requirements set forth in the National Electrical Safety Code, the Company shall have the right to trim, remove, or separate trees, vegetation or any structures therein which, in the opinion of the Company, interfere with its aerial conductors, such that they may pose a threat to public safety or to system reliability.

10.10 ADVANCED METER SERVICES PERFORMED BY AMSPs. The provisions of this Rule 10 are subject to the terms of the Electric Generation Supplier Coordination Tariff.

10.11 RECOVERY FOR PROPERTY DAMAGE. If Company equipment is damaged through the negligence or intentional act(s) of any individual(s) or entity(s), the one(s) responsible for causing the damage shall reimburse the Company for all aspects of the resulting damages. The reimbursement shall include costs related to: labor, material, transportation and tools. "Labor" shall include benefit and administrative overheads based on the Company's current standard schedule, including third party contract repairs or modifications. Additionally, "Labor" may be calculated using a "blended" or average pay rate consistent with the above referenced standards. "Materials" may include an added stores expense calculated using the above referenced standards.

11. TARIFF AND CONTRACT OPTIONS

11.1 CHOICE OF RATE. When the class of service-supply or conditions of use are such that two or more Base Rates are available, a customer shall select the Base Rate on which the customer will be billed.

11.2 COMPANY ASSISTANCE. The Company upon request will, to a reasonable extent, assist customers in selecting the most advantageous Base Rate or rate application (i.e., Base rate together with applicable riders).

11.3 RATE CHANGES. A customer may not change Base Rates during the "initial contract term" as defined in the "Definition of Terms and Explanation of Abbreviations" section above unless the Company agrees to permit the change. At any other time, a customer may change to a firm rate for which the customer qualifies upon 30 days notice to the Company. Customer ownership and obligation to maintain customer owned transformation facilities and equipment, as well as the point of delivery, will be unaffected by any Base Rate change initiated by the customer.

A customer may request that the Company modify the terms of its contract, other than the customer's Base Rate, but the Company will only allow such modification when, in the Company's sole judgment, the modification does not conflict with the Company's Tariff and is not detrimental to the Company.

The Company will not make any Base Rate change retroactive, unless, in the Company's sole judgment, the Company failed to adequately respond to a customer's request for assistance or modification at the time of such request.

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RULES AND REGULATIONS (continued)
12. SERVICE CONTINUITY

12.1 LIMITATION ON LIABILITY FOR SERVICE INTERRUPTIONS AND VARIATIONS. The Company does not guarantee continuous, regular and uninterrupted supply of service. The Company may, without liability, interrupt or limit the supply of service for the purpose of making repairs, changes, or improvements in any part of its system for the general good of the service or the safety of the public or for the purpose of preventing or limiting any actual or threatened instability or disturbance of the system. The Company is also not liable for any damages due to accident, strike, storm, riot, fire, flood, legal process, state or municipal interference, or any other cause beyond the Company's control.

In all other circumstances, the liability of the Company to customers or other persons for damages, direct or consequential, including damage to computers and other electronic equipment and appliances, loss of business, or loss of production caused by any interruption, reversal, spike, surge or variation in supply or voltage, transient voltage, or any other failure in the supply of electricity shall in no event, unless caused by the willful and/or wanton misconduct of the Company, exceed an amount in liquidated damages equivalent to the greater of \$1000 or two times the charge to the customer for the service affected during the period in which such interruption, reversal, spike, surge or variation in supply or voltage, transient voltage, or any other failure in the supply of electricity occurs. In addition no charge will be made to the customer for the affected service during the period in which such interruption, reversal, spike, surge or variation in supply or voltage, transient voltage, or any other failure in the supply of electricity occurs. A variety of protective devices and alternate power supplies that may prevent or limit such damage are available for purchase by the customer from third parties.

The Company makes no warranty as to merchantability or fitness for a particular purpose, express or implied, by operation of law or otherwise. To the extent applicable under the Uniform Commercial Code or on any theory of contract or products liability, the Company limits its liability in accordance with the previous paragraph to any Customer or third party for claims involving and including, but not limited to, strict products liability, breach of contract, and breach of actual or implied warranties of merchantability or fitness for an intended purpose.

12.2 ADDITIONAL LIMITATIONS ON LIABILITY IN CONNECTION WITH DIRECT ACCESS. Other than its duty to deliver electric energy and capacity, the Company shall have no duty or liability to a customer receiving Competitive Energy Supply arising out of or related to a contract or other relationship between such a customer and an EGS.

The Company shall implement customer selection of an EGS consistent with applicable rules of the Commission and shall have no liability to a customer receiving Competitive Energy Supply arising out of or related to switching EGSs, unless the Company is negligent in switching or failing to switch a customer.

The Company shall have no duty or liability with respect to electric energy before it is delivered by an EGS to a point of delivery on the PECO Energy distribution system. After its receipt of electric energy and capacity at the point of delivery, the Company shall have the same duty and liability for distribution service to customers receiving Competitive Energy Supply as to those receiving electric energy and capacity from the Company.

12.3 EMERGENCY LOAD CONTROL. Pursuant to order of Pennsylvania Public Utility Commission, the following provision is incorporated in this Tariff.

Whenever the demands for power on all or part of the Company's system exceed or threaten to exceed the capacity than actually and lawfully available to supply such demands, or whenever system instability or cascading outages could result from actual or expected transmission overloads or other contingencies, or whenever such conditions exist in the system of another public utility or power pool with which the Company's system is interconnected and cause a reduction in the capacity available to the Company from that source or threaten the integrity of the Company's system, a load emergency situation exists. In such case, the Company shall take such reasonable steps as the time available permits to bring the demands within the then-available capacity or otherwise control load. Such steps shall include but shall not be limited to reduction or interruption of service to one or more customers, in accordance with the Company's procedures for controlling load.

The Company shall establish procedures for controlling load including schedules of load shedding priorities to be followed in compliance with the foregoing paragraph, may revise such procedures from time to time, and shall revise them if so required by Pennsylvania Public Utility Commission. A copy of such procedures or of the revision thereof currently in effect shall be kept available for public inspection at the Company's Principle Office, and another such copy shall be kept on file with the Pennsylvania Public Utility Commission.

12.4 EMERGENCY ENERGY CONSERVATION. Pursuant to order of the Pennsylvania Public Utility Commission, the following provision is incorporated in this Tariff.

Whenever events occur which are actually resulting, or in the judgment of the Company threaten to result, in a restriction of the fuel supplies available to the Company or its energy suppliers, such that the amount of electric energy which the Company is able to supply is or will be adversely affected, an emergency energy situation exists.

In the event of an emergency energy conservation situation, the Company shall take such reasonable measures as it believes necessary and proper to conserve available fuel supplies. Such measures may include, but shall not be limited to reduction, interruption, or suspension of service to one or more of its customers or classes of customers in accordance with the Company's procedure for emergency energy conservation.

The Company shall establish procedures for emergency energy conservation, including, if it deems necessary, schedules of service interruption and suspension priorities to be followed as prescribed by the foregoing paragraph.

The Company may revise such procedure from time to time, and shall revise them if so required by the Pennsylvania Public Utility Commission. A copy of such procedures or of the revision thereof currently in effect shall be kept available for public inspection at each office at which the Company maintains a copy of its Tariff for public inspection, and another such copy shall be kept on file with the Pennsylvania Public utility Commission.

12.5 NOTICE OF TROUBLE. The customer must immediately notify the Company if service is interrupted or is otherwise unsatisfactory due to defects, trouble, or accident, affecting the supply of service.

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RULES AND REGULATIONS (continued)

12.6 RELOCATION OF DELIVERY POINT. In the event that the Company shall be required by any public authority to place underground any portion of its mains, wires, or service-supply lines, or relocate any poles or feeders, the customer, at the customer's own expense, shall change the location of his point of delivery to a point readily accessible to the new location.

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13. CUSTOMER'S USE OF SERVICE

13.1 RESALE OF SERVICE. Pursuant to Section 1313 of the Public Utility Code, 66 Pa. C.S. § 1313, a customer may resell Energy and Capacity and/or service provided by PECO Energy under its default service plan if: (1) the Company provides such service under a single contract at one application of an available Base Rate and for the total requirements of the premises served, and (2) the location and use of the service conforms to the availability requirements of this Tariff for provision to the customer for the customer's own account.

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All residential units connected after May 10, 1980, except those dwelling units under construction or under written contract for construction as of that date must be individually metered by either the Company, the AMSP or the landlord for their basic electric service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation. The bill rendered by the reseller to any consumer shall not exceed the amount which PECO Energy would bill its own residential customers for the same quantity of service under the applicable tariffed residential rate.

The requirements for individually metered dwelling units in new construction may be waived at the sole discretion of the Company. Such waiver will only be granted when the owner can demonstrate to the Company that there are valid reasons for such waiver and that there will not be a significant impact on the consumption of an individual customer.

13.2 FLUCTUATIONS. Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and, in the case of violation of this rule, the Company may discontinue service, or require the customer to modify the installation and/or equip it with approved controlling devices.

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13.3 TYPE OF INSTALLATIONS. Motor and other installations connected to the Company's lines must be of a type to use minimum starting current and must conform to the requirements of the Company as to wiring, character of equipment, and control devices.

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13.4 UNBALANCED LOAD. The customer shall at all times take, and use, energy in such manner that the load will be balanced between phases to within nominally 10%. In the event of unbalanced polyphase loads, the Company reserves the right to require the customer to make the necessary changes at the customer's expense to correct the unsatisfactory condition, or to compute the demand used for billing purposes on the assumption that the load on each phase is equal to that on the greatest phase.

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13.5 ADDITIONAL LOAD. The service connection, transformers, meters and equipment supplied by the Company for each customer, have definite capacity, and no additions to the equipment or load connected thereto will be allowed except by consent of the Company.

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13.6 CHANGE OF INSTALLATION. The customer shall give immediate written notice to the Company of any proposed increase or decrease in, or change of purpose or location of, the installation.

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13.7 FAILURE TO GIVE NOTICE. Failure to give notice of additions or changes in load or location shall render the customer liable for any damage to the meters or their auxiliary apparatus, or the transformers, or wires, of the Company, caused by the additional or changed installation.

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14. METERING

14.1 SUPPLY OF METERS. An EGS that is also an AMSP may provide Advanced Meter Services in accordance with the Electric Generation-Supplier Coordination Tariff. Otherwise, subject to Rules 14.3 and 14.9, the measurement of service for billing purposes shall be by meters furnished and installed by the Company. The Company will select the type and make of metering equipment to be used for meters supplied by the Company, and may, from time to time, change or alter the equipment, its sole obligation being to supply meters that will accurately and adequately furnish records for billing purposes. In fulfilling its obligations with respect to metering and meter reading, and with respect to AMSPs that provide Advanced Meter Services, the Company will comply with Electric Generation Supplier Coordination Tariff.

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14.2 SPECIAL MEASUREMENTS. The Company shall have the right, at its option and its own expense, to place demand meters, reactive-component meters, or other instruments, on the premises of any customer except for any customer for whom an AMSP is providing Advanced Meter Services, for the purpose of measuring the demand and/or the power factor, or for other tests of all, or any part, of the customer's load.

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14.3 CUSTOMER REQUEST FOR SPECIAL METER. If a customer for whom the Company is providing either metering and meter reading wishes to replace its billing metering equipment, to the extent technically possible, the Company may offer, provide and support a selection of qualified meters and may perform installation within a reasonable amount of time and at the expense of the customer. The customer must pay for any such metering equipment based on the net incremental cost of purchasing and installing the new metering equipment as approved by the Commission. The Company will own and maintain all such new metering equipment.

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RULES AND REGULATIONS (continued)

14.4 **POWER FACTOR MEASUREMENT.** For customers for whom the Company is providing metering and meter reading or Advanced Meter Services, the Company reserves the right to measure the power factor of the customer's load, either by test or by permanently installed instruments. For customers for whom an AMSP is providing Advanced Meter Services, the Company reserves the right to require such AMSP to measure the power factor of the load of the customer on the same basis the Company measures the power factor of customers for which the Company provides metering and meter reading or Advanced Meter Services.

14.5 **REVERSE REGISTRATION.** The Company may, by ratchet or other device, control its meters to prevent reverse registration.

14.6 **ESTIMATED USAGE.** The kilowatt-hours and billing demands to be paid for may be determined by computation instead of by measurement in the case of installations having a fixed load or demand value controlled to operate for a definite number of hours each day.

14.7 **METER READING INTERVALS.** The Company will read its meters in accordance with Appendix C to the Joint Petition for Full Settlement and at scheduled regular intervals of one month. Monthly customer usage will not be prorated for seasonality. For customers for whom it provides Consolidated EDC Billing or Separate EDC Billing, the Company will render standard bills for the recorded use of service based upon the time interval between meter readings. EGS & EDC charges shall be based on the EDC defined meter reading route schedules. Only those bills which cover a period of service of less than 26 days or more than 35 days will be prorated. The Company will render "short period" bills as needed to ensure a customer can switch their electric service in accordance with the accelerated switching process final omitted rulemaking order that amends 52 Pa. Code, Ch. 57.172 - 57.179. See Dockets No. L-2014-2409383 and P-2014-2446292.

14.8 **ESTIMATED USAGE.** For customers for whom the Company provides meter reading or Advanced Meter Reading Services, the Company shall estimate the amount of service supplied to premises where access to the meter is not available or if such estimate is necessary, and to installations at remote locations when warranted by the type of installation, regularity of usage, or other circumstances. For customers for whom it provides Consolidated EDC Billing or Separate EDC Billing, the Company will render bills in standard form based on such estimate and so marked, for the customer's acceptance. Meter readings will be secured from time to time and billing will be revised when they disclose that the estimate failed to approximate the actual usage. For residential customers, an actual meter reading will be obtained at least every six months in accordance with Commission regulations.

14.9 **CUSTOMER SELECTED ADVANCED METERS.** A customer may request either PECO Energy or an AMSP to have an Advanced Meter installed and have Advanced Meter Services provided pursuant to Appendix C of the Joint Petition for Full Settlement and any applicable rules adopted by the Commission. For an advanced meter to be deployed in the PECO Energy service territory, it must be included in the Commission's Advanced Meter Catalog, and indicated as eligible for deployment in the PECO Energy territory.

14.10 **PROVISIONS FOR CUSTOMER REQUESTED SMART METERS.** Once all necessary infrastructure is complete but not later than October 2012 a customer may request that PECO install a smart meter ahead of the planned schedule for their property however the customer must pay the incremental cost of installing the meter outside of the normal installation schedule. For residential and single phase commercial customers the cost is \$17. In the case of more complex meter arrangements the Company shall provide the estimated cost and the customer shall pay the cost prior to the installation.

15. DEMAND DETERMINATION

15.1 **MEASURED DEMANDS.** Measured demands may be quantified by recording or indicating instruments showing, unless otherwise specified, the greatest 30-minute rate-of-use of energy, provided that in the case of hoists, elevators, welding machine, electric furnaces, or other installations where the use of electricity is intermittent or subject to violent fluctuation the demand may be fixed by special determination.

15.2 DEMAND DETERMINATION

- (a) **Special Determination.** Where charges specified in this Tariff are based upon the customer's demand, it is intended that such demand shall fairly represent the customer's actual demand that the Company must stand ready to serve. In the case of installations where the customer's regular use of service in the ordinary course of the customer's business is such that measurement over a thirty-minute interval does not result in a fair or equitable measure of the customer's demand, then the demand may be estimated from the known character of use and the rating data of the equipment connected, or from special tests. The intent of this provision is that the demand so determined shall fairly represent the demand that the Company must stand ready to serve.
- (b) **Demand Waiver.** When a customer wishes to conduct a test of equipment or process that is not part of the customer's normal operations, the customer may request that the Company waive the demand caused by that test, if that demand is the highest measured demand in the billing month. The Company will agree to such a waiver if the following conditions are met:
 1. The Company's metering is of a type which allows for the determination of 30-minute demands; and
 2. The customer's request is in writing, and is received by the Company at least 15 business days before the date of the commencement of the proposed test. The request must specify the nature of the test, the size of the loads to be tested and the starting and ending times; and
 3. The Company determines that the tests are not a part of the customer's normal operations; and
 4. The test will not last for more than twelve (12) consecutive hours; and
 5. The customer has not conducted a test and received a demand waiver for a test pursuant to this rule within one year of the proposed test.

Upon receipt of a request for a demand waiver, the Company will inform the customer in writing within fifteen (15) days of receipt of the customer's request whether it will grant the proposed waiver.

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15.3 POWER FACTOR ADJUSTMENT. Standard power factor values, based on measured demands, are as follows:

Measured Demands	Standard Power Factor
0 kW to 185 kW	80%
186 kW to 2,500 kW	90%
Over 2,500 kW	95%

Whenever the measured power factor of a customer is less than the prescribed standard, the customer's measured demand shall be increased by the ratio of the standard power factor to the measured power factor. The demand thus determined shall be used as a basis for calculating the customer's billing demand in accordance with the applicable rate schedule.

The measured power factor shall be determined as follows:

- (a) All customers with measured demands of 750 kW or greater in three consecutive months shall have their power factor continually measured. The measured power factor shall be the power factor that is coincident with customer's maximum measured demand. Continuous power factor measurement may be discontinued if the customer's measured demand is less than 750 kW for twelve consecutive months, or if a change in the customer's load characteristics indicates a permanent reduction in measured demand to less than 750 kW. Until such time that metering equipment can be installed for continuous measurement of power factor, power factor shall be determined in accordance with paragraph (c) of this section.
- (b) The power factor of customers with measured demands of less than 185 kW will be assumed to be standard, unless the customer's load is such that it is likely, in the judgment of the Company, that the power factor will be less than the standard. In such cases, the provisions of paragraph (c) are applicable.
- (c) The power factor of all customers not included under the provisions of paragraphs (a) or (b) shall be determined by test at a time when the customer's load is not less than two-thirds of the customer's maximum measured demand in the preceding eleven months; or, at the option of either the customer or the Company, by measurement as determined from meters installed by the Company, ratcheted to prevent reverse registration. When meters are installed, the measured power factor shall be the power factor that is coincident with customer's maximum measured demand. Customers requesting measurement of power factor shall be subject to a monthly meter charge determined in accordance with the cost of the meter installation. Such installation shall not be for less than one year.

A customer that receives Advanced Meter Services from an AMSP is subject to the preceding rules regarding determination of measured power factor.

16. METER TESTS

16.1 METER TESTS. The Company at its expense, will make periodic tests and inspections of its meters in order to maintain them at a high standard of accuracy.

16.2 REQUEST TESTS. The Company will make additional tests or inspections of its meters at the request of a customer or an EGS providing Competitive Energy Supply to a customer, but reserves the right to make the charge provided for in the Electric Regulations of the Pennsylvania Public Utility Commission, under conditions therein specified.

16.3 ADJUSTMENT FOR ERROR. Should any of the Company's meters become defective or fail to register correctly, the use of electricity shall be determined by a test of any such meter, or by the registration of a meter set in its place during the period next following, or by averaging the amount registered for the preceding billing period and the amount registered during not less than one week immediately subsequent to the repairs to, or change of, the meter, taking into consideration the character of use by the customer.

16.4 RESIDENCE METER ERRORS. Meter errors in the Company's meters in residence service may be determined on the basis of the registration of the corresponding period during the preceding year, if records are available and conditions of use remain the same.

16.5 ADMINISTRATION TESTS. The Company, at its own expense, will make only such tests of the Company's meters as it deems necessary for the proper administration of its rates, or as are required by law.

16.6 TESTING SERVICE. The Company will, upon request by the customer, make tests of the Company's meters to supply special information regarding the customer's use of service, provided that the estimated cost of such special tests shall be paid by the customer to the Company in advance.

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RULES AND REGULATIONS (continued)

17. BILLING AND STANDARD PAYMENT OPTIONS

17.1 BILLING PERIOD. Billing for service will be based upon the amount of use and the time interval of its delivery. The customer will be billed in accordance with rule 14.7. Rate values stated for direct application to monthly billing periods will be adjusted when time elapsed between readings is substantially greater or less than a month.

17.2 BILLING OPTIONS. A customer may select one of the following three billing options: (1) Consolidated EDC Billing; (2) Consolidated EGS Billing; and (3) Separate EDC/EGS Billing, as those terms are defined herein. If a customer does not make a selection, the customer shall receive Consolidated EDC Billing. When the Company provides Consolidated EDC Billing or Separate EDC Billing, it will comply with the terms and conditions of the Electric Generation Supplier Coordination Tariff.

17.3 PAYMENT

(a) The Company's bills to customers are payable upon presentation. Payment for service received must be made on or before the due date shown on the bill. The due date shall be determined by the Company and shall be not less than twenty days from the date of transmittal of the bill for Rates R, R-H, RS-2, POL and GS (excluding Summary Billing Accounts). The due date shall be not less than 15 days from the date of transmittal of the bill for all other rates, including Summary Billing Accounts. Notwithstanding the foregoing, the due date may be up to thirty days for accounts (including Summary Billing Accounts) with the United States of America, the Commonwealth of Pennsylvania, or any of their departments, political subdivisions, or instrumentalities. The Company may allow a reasonable amount of additional time for payment of bills on industrial and commercial accounts of creditworthy customers. If the due date that appears on a customer's bill falls on a Saturday, Sunday, bank holiday, or any other day when the offices of the Company which regularly receive payments are not open to the general public, the due date shall be extended to the next business day. The payment period will not be extended because of the customer's failure to receive a bill unless said failure is due to the fault of the Company.

(b) Payment may be made at any commercial office of the Company or at any authorized payment agency. The customer bears the risk of delivery of payment tendered on or after the date contained in any termination notice sent to the customer.

(c) The Company may require that a customer that is not creditworthy tender payment by means of a certified, cashier's, teller's, or bank check, or by wire transfer, or in cash or other immediately available funds.

(d) A customer must pay the undisputed portion of disputed bills under investigation. The Company will apply this rule to the disputed portion of disputed bills, if, and only if: (1) the Company has made diligent and reasonable efforts to investigate and resolve the dispute; (2) the result of the investigation is that the customer's claims are unwarranted or invalid; (3) the Commission and/or the Bureau of Consumer Services has decided a formal or informal complaint in the Company's favor and no timely appeal is filed, and (4) the customer nevertheless continues to dispute the same manner in bad faith.

17.4 PAYMENT PROCESSING. When the Company is providing Consolidated EDC Billing, Default Service or Separate EDC Billing, and the customer remits a partial payment to the Company, the payment will be applied as follows:

1. Any past due balances including those for prior PECO basic service charges, for prior EGS receivables purchased by the Company, for prior installment amounts on payment agreements, and also for any reconnection charges.
2. Any current charges including those for PECO basic service charges, for current EGS receivables purchased by the Company, and for current installment amounts on payment agreements.
3. Non-basic service charges.

17.5 LATE FEES AND COLLECTION COSTS. If payment is made at a Company office or authorized payment agency after the due date shown on the bill, a late fee will be added to the unpaid balance until the entire bill is paid. If payment is made by mail, the late fee will be added if the payment is received by the Company more than five days after the due date shown on the bill. For Rates R, R-H, RS-2, POL and GS this late fee will be 1-1/2 % per month; for all other rates the late fee will be 2% per month. If the Company files suit to collect a delinquent balance on an account (whether active or inactive) or to ensure payment of current bills, the customer will be required to pay the Company's out of pocket court costs (including filing, service, and witness fees) as ordered by the court and such costs will be added to commercial and industrial accounts.

17.6 BUDGET BILLING

(a) At the option of a customer receiving residential service under Rates R, R-H, RS-2, POL and GS, an estimated total bill for all service to be received by the customer over a twelve month period may be budgeted over the period and an average bill rendered monthly for payment each month. Any difference between the budgeted amounts so paid and the actual charges for a twelve month budget period will at the customer's option, either be amortized over the next twelve months or incorporated into the 12th month bill. Absent an indication of preference from the customer, the debit or credit will be amortized. Budget billing may be discontinued upon the customer's request at which time any difference between budget billing amounts and actual charges becomes due and payable. If a monthly budget bill is not paid, a late fee will be added to the unpaid balance of actual charges on the next billing date in accordance with Rule 17.3 and 17.5. Any such late fee will be calculated based on the lesser of budget billing arrears and actual charged arrears. The Company may also arrange budget billing for creditworthy commercial and industrial customers.

(b) When the Company provides Consolidated EDC Billing, the EGS's charges will be included in the customer's Budget Billing Plan.

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RULES AND REGULATIONS (continued)

17.7. CALCULATION OF LATE FEE. Where a late fee is applicable, the amount of the late fee to be added to the unpaid balance shall be calculated by multiplying the unpaid past due balance, exclusive of any previous unpaid late fees, by the appropriate late fee rate.

17.8. TAX EXEMPTION. If a customer is tax exempt, the customer must provide a tax exempt form to PECO Energy and to its EGS, regardless of which billing option the customer chooses.

17.9. BILLING ERRORS. When the Company provides Consolidated EDC Billing, PECO Energy shall not be responsible for billing errors resulting from incorrect price information received from an EGS.

17.1. RETURNED CHECK CHARGE. If a check received in payment of a customer's account is returned to the Company unpaid or if upon a second attempt by the Company or its agent for payment the check is again returned unpaid, then the Company will add a returned check charge to the customer's account in the amount of \$20.00.

17.11. APPLICABILITY TO CUSTOMERS RESIDING AT PLACE OF BUSINESS. For purposes of all of the provisions of Rule 17, when a customer resides at a place of business or commercial establishment legitimately served pursuant to a commercial or industrial Base Rate, that is not a residential dwelling unit attached thereto, the customer is not thereby entitled to any of the protections in the Public Utility Code or the Commission's regulations implementing the Pennsylvania Public Utility Code, or to any of the provisions of these rules or this Tariff, that apply exclusively to payment terms for residential customers.

18. PAYMENT TERMS & TERMINATION OF SERVICE

18.1. NON-PAYMENT TERMINATION. When the Company is providing either Consolidated EDC Billing or Separate EDC Billing, the customer is subject to collection action, including termination of service (in accordance with the Pennsylvania Public Utility Code or the Commission's regulations, on the portion of the past due amount attributable to the Company's charges for: (1) service, (2) Energy and Capacity and (3) to Customer EGS Receivables purchased by the Company. Upon termination of service, the Company may also remove its equipment. Notice that complies with applicable Commission regulations shall conclusively be considered to be "reasonable" hereunder. Consistent with 52 PA Code §56.100, the Company will accept the following most current and valid documents as proof of household income: (1) income tax returns; (2) pay stubs; (3) benefit letters and governmental agency verification; (4) other forms to be accepted at the Company's discretion. The customer must provide this information within 10 days of the Company's request. This information may also be used by the company to determine deposit requirements, payment arrangements, and any other income specific program.

18.2. PAYMENT TERMS. When the Company is providing either Consolidated EDC Billing or Separate EDC Billing, the Company will in accordance with Pennsylvania Public Utility Law and applicable Pennsylvania Public Utility Commission Regulations and Orders, negotiate payment arrangements on the portion of the past due amount attributable to its charges for: (1) service (2) Energy and Capacity and (3) to Customer EGS Receivables purchased by the Company. However, the Company will not negotiate payment arrangements on behalf of an EGS.

18.3. TERMINATION FOR CAUSE. The Company may terminate on reasonable notice if entry to the meter or meters is refused or if access thereto is obstructed or hazardous; or if utility service is taken without the knowledge or approval of the Company; or for other violation of these Rules and Regulations and/or applicable Commission rules, including those found at Pennsylvania Public Utility Code or the Commission's regulations.

18.4. SAFETY TERMINATION. The Company may terminate without notice if the customer's installation has become hazardous or defective.

18.5. DEFECTIVE EQUIPMENT TERMINATION. The Company may terminate without notice if the customer's equipment or use thereof might injuriously affect the equipment of the Company, or the Company's service to other customers; or if a certificate of approval is refused after a re-examination of the customer's installation by a competent inspection agency authorized to perform this service in the specific locality where service is provided.

18.6. TERMINATION FOR FRAUD. The Company may terminate without notice for abuse, fraud, material misrepresentation of the customer's identity, or tampering with the connections, the Company's meters, or other equipment of the Company.

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RULES AND REGULATIONS (continued)

18.7. RECONNECTION CHARGE. If service is terminated or discontinued by reason or act of the customer, the same customer, whether an applicant or a customer as defined at 66 Pa. C.S. § 1403, shall pay a reconnection charge prior to restoration of service at the same address within twelve months after discontinuance or termination. The reconnection charges, listed below, are based on the Company's current standard schedule of reconnection fees, which include direct labor costs, contractor costs, and material/transportation costs. In the case of fraud, the reconnection charge will also include allocated overheads, all investigative costs, and administrative costs as determined by the Company. All theft and fraud reconnections will be completed at the premise and will not be performed remotely.

	Reconnect Fees For Non-Payment	Reconnect Fees For Theft / Fraud
Electric Reconnect at the Meter	\$ 75.00	\$ 350.00
Electric Reconnect at Tap	\$ 260.00	\$ 1,180.00
Electric Reconnect - Underground dig	\$ 1,650.00	\$ 4,450.00
Electric with dual meters	\$ 100.00	\$ 350.00
Electric Remote Reconnect (one or dual meters)	\$ 20.00	N/A

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RULES AND REGULATIONS (continued)

19. UNFULFILLED CONTRACTS

19.1. NOTICE OF DISCONTINUANCE BY CUSTOMER. Notice to discontinue service before the expiration of a contract term will not relieve a customer from any minimum, or guaranteed, payment under any contract or rate. In the case of residential customers this Rule only applies if the customer has signed an express written contract that clearly sets forth such a term and condition of service.

19.2. COMPLETION OF TERM. If, by reason of any act, neglect or default of a customer, the Company's service is suspended, or the Company is prevented from providing service in accordance with the terms of any contract it may have entered into with the customer, the minimum charge for the unexpired portion of the initial contract term shall become due and payable immediately as liquidated damages. These liquidated damages may, at the option of the Company, be offset by estimated revenues from a succeeding customer at the same location, if such exists.

20. CANCELLATION BY CUSTOMER

20.1. TERMINATION NOTICE. Customers who have fulfilled their initial contract term and wish to discontinue service from the Company must give the Company at least 7 days' written notice to that effect.

20.2. FINAL BILL. The customer is liable for service taken after notice to terminate the contract, until the meter is read and/or disconnected. The final bill for service is then due.

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RULES AND REGULATIONS (continued)

21. GENERAL

21.1 OFFICE OF THE COMPANY. Wherever, in this Tariff, it is provided that notice be given or sent to the Company, or the office of the Company, such notice, delivered or mailed, postage prepaid to any commercial office, shall be deemed sufficient, unless the Principal Office of the Company at 2301 Market Street, Philadelphia, is expressly mentioned.

21.2 NO PREJUDICE OF RIGHTS. The failure by the Company to enforce any of the terms of this Tariff shall not be deemed a waiver of its right to do so.

21.3 GRATUITIES TO EMPLOYEES. The Company's employees are strictly forbidden to demand or accept any personal compensation, or gifts, for service rendered by them while working for the Company on the Company's time.

21.4 BILLING CHANGES. Where billing changes are made as the result of an investigation made at customer's request or by routine inspection, the change of billing may be applied to the bill for the regular meter reading period preceding such investigation, and will, in any event apply to the bill for the period during which the investigation is made.

21.5 EXCEPTIONAL CASES. The usual supply of electric service shall be subject to the provisions of this Tariff, but where special service-supply conditions or problems arise for which provision is not otherwise made, the Company may modify or adapt its supply terms to meet the peculiar requirements of such case, provided that such modified terms are a rational expansion of standard tariff provisions.

21.6 ASSIGNMENT. Subject to the Rules and Regulations, all contracts made by the Company shall be binding upon, and oblige and inure to the benefit of, the successors and assigns, heirs, executors and administrators of the parties thereto.

21.7 OTHER CHARGES. The Company may, if feasible, provide and charge for services, other than those provided for in this Tariff, when requested by the customer. The Company is not obligated to provide such services. The Company will, if possible, give the customer an advance written estimate of the costs to provide the service. Costs shall include, but not be limited to, materials, supplies, labor, transportation and overhead.

21.8 TAX INDEMNIFICATION. If PECO Energy becomes liable under Section 2806(g) or 2809(c) of the Public Utility Code, 66 C.S. §§ 2806(g) and 2809(c), for Pennsylvania state taxes not paid by an Electric Generation Supplier (EGS), the non-compliant EGS shall indemnify PECO Energy for the amount of additional state tax liability imposed upon PECO Energy by the Pennsylvania Department of Revenue due to the failure of the EGS to pay or remit to the Commonwealth the tax imposed on its gross receipts under Section 1101 of the Tax Reform Code of 1971 or Chapter 28 of Title 66.

22. RULES FOR DESIGNATION OF PROCUREMENT CLASS

22.1 DESIGNATION OF PROCUREMENT CLASS

a) Annually, in November the Company shall notify the customer of their procurement group class designation which shall be effective the following June 1.

b) The procurement class designation shall be used to determine the appropriate Generation Supply Adjustment to apply to the customer.

c) For non-residential customers the procurement class shall be determined based upon the customers peak measured demand in the prior June-May period.

d) There shall be four procurement class designations. They are:

- 1) Residential
- 2) Small Commercial and Industrial 0-100 kW
- 3) Medium Commercial and Industrial 101-500 kW
- 4) Large Commercial and Industrial over 500 kW

e) Procurement class designation shall only change once per year on the date established in rule 22.1a

f) New customers procurement class shall be based upon an engineering estimate of their diversified peak demand for a new facility or an existing facility with a substantially different use.

g) A new customer in an existing facility shall be assigned to the same procurement class as the last customer in that facility unless rule 22.1f applies.

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RULES AND REGULATIONS (continued)

23. EGS SWITCHING

23.1 PECO Energy will accommodate requests by customers to switch EGSs in accordance with this Rule 23, and any applicable Commission Orders.

23.2 To switch to a new EGS, a customer must inform the new EGS. Customers that wish to switch are not required to contact PECO Energy to initiate a switch; PECO Energy will only switch a customer in accordance with Rule 23.

23.3 To enable a new EGS to complete a switch, a customer must provide to the new EGS the customer's PECO Energy account number as it appears on the customer's PECO Energy monthly bill.

23.4 A switch to an EGS will be effective 3 business days after the enrollment request is processed, provided the enrollment request includes valid customer information as required by the controlling provisions of the Supplier Tariff. Upon receiving valid notice to switch an EGS, the Company shall notify the customer's existing EGS that such a request has been made.

23.5 If and when a customer's EGS discontinues its supply in the event of bankruptcy, loss of license, or similar occurrence, or if a Customer is dropped by its EGS for non-payment or other reason then the customer may select a new EGS. The customer will receive its energy supply from PECO Energy until the switch becomes effective.

23.6 Nothing in this Rule 23 shall be interpreted to preclude EGSs from entering into agreements for supply with a term of service of one month. EGSs may enter into agreements for longer.

24. LOAD DATA EXCHANGE

24.1 PECO Energy will provide to a customer or the customer's designated EGS or authorized consultant, all available data from the meter once each calendar year for no fee. The exchange of data among PECO Energy, EGSs, and customers shall be in accordance with the Supplier Tariff and the Final Consensus Plan for Electronic Data Exchange Standards for Electric Deregulation in the Commonwealth of Pennsylvania, as approved by the Commission.

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STATE TAX ADJUSTMENT CLAUSE

In addition to the net charges provided for in this tariff, a surcharge credit value of ~~x.xx%~~ will apply to all PaPUC jurisdictional distribution charges in the Base Rates and Riders, effective for scheduled billing cycles ending on and after January 1, 2016.

Whenever any of the tax rates used in the calculation of the surcharge are changed, or recoveries are authorized under Sections 2806, 2809 or 2810 of the Competition Act, the surcharge will be recomputed as prescribed by the Commission. The recalculation will be submitted to the Commission within ten days after the change occurs and the effective date shall be ten days after filing.

In addition, if a recalculation is submitted as a result of a tax rate change (including the Revenue Neutral Reconciliation rate) the Company will thereafter file each year by December 21 annual updates or revisions with the Commission which will reflect only this tax change. These annual updates will be effective ten days after filing and will continue until such time as the effect of the change in tax rates has been included in base rates.

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**RULES AND REGULATIONS
(continued)**

24. LOAD DATA EXCHANGE

This rule will become effective immediately upon approval of the Company's Compliance Filing

24.1 PECO Energy will provide to a customer or the customer's designated EGS or authorized consultant, all available data from the meter once each calendar year for no fee. The exchange of data among PECO Energy, EGSs, and customers shall be in accordance with the Supplier Tariff and the Final Consensus Plan for Electronic Data Exchange Standards for Electric Deregulation in the Commonwealth of Pennsylvania, as approved by the Commission.

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**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3
LOADS UP TO 500KW**

Applicability: June 1, 2015 this adjustment shall apply to all customers taking default service from the Company with demands up to 500 kW. The rate contained herein shall be calculated to the nearest one hundredth of a cent. The GSA shall contain the cost of generation supply for each tariff rate.

Pricing: The rates below shall include the cost of procuring power to serve the default service customers including the cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") plus associated administrative expenses incurred in acquiring power and gaining regulatory approval of any procurement strategy and plan. The pricing for default service will represent the estimate of the cost to serve the specific tariff rate for the next quarterly period beginning with the three months ended August 31, 2013. The rates in this tariff shall be updated quarterly on June 1, September 1, December 1 and March 1 commencing June 1, 2013. If the balance of over/(under) recovery gets too large, the Company can file a reconciliation that will mitigate the subsequent impact. The generation service charge shall be calculated using the following formula:

$$GSA(n) = (C-E+A)/S * 1/(1-T) * (1-ALL)/(1-LL) + AEPS/S * 1/(1-T) + WC \text{ where;}$$

C= The sum of the amounts paid to the full requirements suppliers providing the power for the quarterly period, the spot market purchases for the quarterly period, plus the cost of any other energy acquired for the quarterly period. Cost shall include energy, capacity and ancillary services, distribution line losses, cost of complying with the Alternative Energy Portfolio Standards, and any other load serving entity charges other than network transmission service and costs assigned under the Regional transmission Expansion Plan. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as the load serving entity charges listed in the Supply Master Agreement Exhibit D as the responsibility of the supplier. This component shall include the proceeds and costs from the exercise of Auction Revenue Rights granted to PECO by PJM.

AEPS = The projected total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the C component above for the quarterly period for each procurement class. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AEC's, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AEC's sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AEC's and complying with the AEPS statute.

E = Experienced over or under-collection calculated under the reconciliation provision of the tariff to be effective semiannually with recovery during the periods March 1 through August 31 of the current year and September 1 of the current year through February 28 (29) of the following year. As described in the reconciliation provision of the tariff, the initial reconciliation period including the month of December 2014 will be recovered during the period June 1, 2015 through August 31, 2015. The initial six month reconciliation period will include January 1, 2015 through June 30, 2015 and the initial six month effective sales recovery period will be September 1, 2015 through February 29, 2016

A = Administrative Cost - This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement plan, legal fees incurred gaining approval of the plan and any other costs associated with designing and implementing a procurement plan including the cost of the pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as dynamic pricing that is required of the Company or is approved in its Act 129 filing. Administrative Costs also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market investigation at Docket No. I-2011-2237952 or any other applicable docket that are not recovered from EGSs or through another rate.

S = Estimated sales for the period the rate is in effect for the classes to which the rate is applicable. Six month sales are used for the E factor with effective periods March 1 through August 31 of the current year and September 1 of the current year through February 28 (29) of the following year. The initial E factor sales period will be June 1, 2015 through August 31, 2015. The initial six month effective E factor sales period will be September 1, 2015 through February 29, 2016.

T = The currently effective gross receipts tax rate.

n = The procurement class for which the GSA is being calculated.

ALL = Average line losses for the procurement class.

LL = Line losses for the specific rate class provided in the Company's Electric Generation Supplier Coordination Tariff rule 6.6.

WC = \$0.00034/kWh to represent the cash working capital for power purchases.

Auction Revenue Rights (ARR) = Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

In general the line loss adjustment is applicable to Procurement Class 2 and 3 only as those classes contain rate classes with three different line loss factors. Current charges:

Rate	GSA	GSA Price
R	GSA (1)	\$x,xxx
RH	GSA (1)	\$x,xxx
GS	GSA (2)	\$x,xxx
GS	GSA (3)	\$x,xxx

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Supplement No. 119 to
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**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASS 4
LOADS GREATER THAN 500KW**

Applicability: June 1, 2015 this adjustment shall apply to all customers taking default service from the Company with demands greater than 500kw.

Hourly Pricing Service

Pricing: The rates below shall include the cost of procuring power to serve the default service customers plus associated administrative expenses incurred in acquiring power and gaining regulatory approval of any procurement strategy and plan. The rates for GSA 4 Hourly shall be effective the first of each month. If the balance of over/under recovery gets too large due to billing lag, the Company can file a reconciliation that will mitigate the subsequent impact. The cost for this hourly service rate shall be as follows:

Generation Supply Cost (GSC) = (C+R+AS+AC-E)/(1-T)+WCA where:

C = The PJM day ahead hourly price multiplied by the customers usage in the hour summed up for all hours in the month

$$\sum PJM_{DA} \times \text{usage} / (1-LL)$$

PJM_{DA} = PJM on day ahead hourly price.

Usage = Electricity used by an end use customer.

R = The PJM reliability pricing model (RPM) charge for month for the customer. The RPM charge shall be the customers peak load contribution as established for PJM purposes multiplied by the current RPM monthly charge and the PJM established reserve margin adjustment.

PLC x (1+ RM) x P_{RPM} x Bill Days

PLC = Peak load contribution

RM = Reserve margin adjustment per PJM

P_{RPM} = Capacity price per MW-day

AC = Administrative Cost - This includes an allocation of the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the plan, and any other costs associated with designing and implementing a procurement plan divided by the total default service sales and then multiplied by the customers usage for the month. Administrative Costs also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 or any other applicable docket that are not recovered from EGSS or through another rate.

A / S x Usage

A = Administrative cost

S = Default service sales

AS = The cost, on a \$/MWH basis, of acquiring ancillary services from PJM and of complying with the Alternative Energy Portfolio Standard, multiplied by the customers usage for the month and divided by (1-LL). Congestion charges including the proceeds and costs from the exercise of

Auction Revenue Rights shall be included in this component. Ancillary services shall be those included in the Supply Master Agreement as being the responsibility of the supplier.

$$((PJM_{AS} \times \text{Usage} * 1 / (1-LL)) + AEPS / S_{AEPS} \times \text{Usage})$$

PJM_{AS} = \$/MWH charged by PJM for ancillary services

AEPS = Cost of complying with the alternative energy portfolio standard

S_{AEPS} = Sales for which AEPS cost is incurred

If the supplier provides the ancillary services and AEPS cost then the customer shall be charged the supplier's rate for these services times usage and divided by (1-LL).

Auction Revenue Rights (ARR) = Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges

LL = Line loss factor as provided in the Company's Electric Generation Supplier Coordination Tariff Rule 6.6 based upon the customers distribution rate class adjusted to remove losses included in the PJM LMP

T = The currently effective gross receipts tax rate

E = $\sum O(U) / S_4 \times \text{usage}$ where

E = Over/under recovery as calculated in the reconciliation

S₄ = Procurement class four sales

WC = \$0.00034 kWh for working capital associated with power purchases

WCA = Individual customer sales x WC

Procedure: The "E" factor shall be updated monthly in conjunction with the Reconciliation. Monthly reconciliations shall be recovered over a one month period after the occurrence of a quarter.

Tariff Rate	GS	PD	HT	EP
Hourly Pricing Adder* (cents/kWh)	x.xx	x.xx	x.xx	x.xx

* Includes administrative cost (AC), ancillary service charge (AS), E factor (E) and working capital (WC).

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RECONCILIATION

Applicability: June 1, 2015 this adjustment shall apply to all customers who received default service during the period the cost of which is being reconciled. Customers taking default service during the reconciliation period that leave default service prior to the assessment of the collection of the over/(under) adjustment shall still pay or receive credit for the over/(under) adjustment through the migration provision. The Company shall notify the Commission and parties to the Default Service Settlement 15 days in advance of the quarterly or monthly filing if the Migration Provision will be implemented in the filing.

This adjustment shall be calculated on a semiannual basis for Procurement Classes 1, 2 and 3. The reconciliation period will include the six month period beginning January 1 and July 1 commencing with the January 1, 2015 through June 30, 2015 reconciliation period. The initial reconciliation period for Procurement Classes 1, 2, and 3 will include the month of December 2014 with recovery occurring during the three month period June 1, 2015 through August 31, 2015. For Procurement Class 4 Hourly, the adjustment shall be calculated on a monthly basis with recovery commencing after the occurrence of a quarter. The reconciliation shall be separate for each procurement class. Any resulting over or under recovery shall be assessed on an equal cents per kilowatt hour basis to all customers in the relevant procurement class. For Procurement Classes 1, 2 and 3 any over/(under) recovery shall be collected after the occurrence of two months from the end of the reconciliation period. For Procurement Class 4 Hourly any over/(under) recovery shall be collected after the occurrence of three months from the end of the reconciliation period. For Procurement Classes 1, 2 and 3 recovery shall be over a six month period commencing September 1 and March 1 with the initial six month period of September 1, 2015 through February 29, 2016. For Procurement Class 4 Hourly, recovery shall be monthly. For purposes of this rider the reconciliation shall be calculated 45 days before the effective date of recovery. The over or under recovery shall be calculated using the formula below. The calculation of the over/(under) recovery shall be done separately for the following procurement classes Class 1 – Residential, Class 2 – Small C&I < 100 kW, and Class 3 – Medium C&I 101 kW to 500 kW and Class 4 Large C&I over 500 kW.

Reconciliation Formula

$E_N = \Sigma O(U) + I$
Migration Provision $E_M = [\Sigma O(U) + I]S/(1-GRT)^*(1-ALL)/(1-LL)$

Where:

E = Experienced over or under collection plus associated interest
N = Procurement class
M = Migration Rider
O(U) = The monthly difference between revenue billed to the procurement class and the cost of supply as described below in Cost, AEPS Cost and Administrative Cost.

Revenue = Amount billed to the tariff rates applicable to the procurement class including approved Real Time Price or other time sensitive rates for the period being reconciled through the GSA.

Cost = The sum of the amounts paid to all of the full requirements suppliers providing the power for the period being reconciled, the spot market purchases for the period being reconciled, plus the cost of any other energy acquired for the period being reconciled. Cost shall include energy, capacity and ancillary services as well as the proceeds and costs of auction revenue rights for Procurement Classes 1, 2 and 3. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as those costs listed in the Supply Master Agreement as the responsibility of the seller.

AEPS = The total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the Cost component above for the reconciliation period for Procurement Classes 1, 2 and 3 and not included in the ancillary services component for Procurement Class 4 Hourly Service. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AEC's, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AEC's sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AEC's and complying with the AEPS statute.

Note that no AEPS rate will be filed for April 1, 2013, and costs otherwise recovered under that rate will be included in the GSA. June 1, 2013, all AEPS costs shall be recovered in the GSA. By March 31, 2013, the Company shall file an AEPS over/under reconciliation statement for the 13 months ended February 2013 and any over/under recovery balance shall be combined with the over/under balance in the corresponding GSA at the end of February 2013 for recovery through the reconciliation provision of the GSA. Over/under recoveries occurring during the March 2013 to May 2013 period shall be combined with the corresponding GSA over/under recovery in future GSA reconciliations.

Administrative Cost = This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the strategy, and any other costs associated with designing and implementing a procurement plan including the cost of the pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as dynamic pricing that is required of the Company or approved in its Act 129 filing. Administrative Costs also include: (1) fifty percent of the implementation and ongoing costs of the Standard Offer Program approved by the Commission at Docket No. P-2012-2283641 that have not been otherwise recovered through fees paid by EGSs participating in the program; and (2) any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 or any other applicable docket that are not recovered from EGSs or through another rate. Costs for the Standard Offer Program shall only be recovered from Procurement Classes 1 and 2.

Full Requirements Supply = A product purchased by the Company that includes a fixed price for all energy consumed. The only cost added by the Company to the full requirements price is for gross receipts tax, distribution line losses, and administrative cost.

Ancillary Services = The following services in the PJM OATT- reactive support, frequency control, operating reserves, supplemental reserves, imbalance charges, PJM annual charges, any PJM assessment associated with non-payment by members, and any other load serving entity charges not listed here but contained in Exhibit D of the Supply Master Agreement. Also included shall be the proceeds and costs from the exercise of auction revenue rights for Procurement Class 4 Hourly Service.

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RECONCILIATION
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Auction Revenue Rights (ARR) = Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

Capacity = The amount charged to PECO by PJM for capacity for its default service load under the reliability pricing model (RPM).

I = interest on the over or under collection where a rate of 8% is used on over-collection and 6% on under-collections.

S = Estimated default service retail sales in kWh for the period the cost of which is being reconciled.

ALL = The average line losses in a procurement class as a percent of generation.

LL = The average line losses for a particular rate (e.g. HT, PD,GS) as provided in the Electric Generation Supplier Coordination Tariff rule, 6.6.

GRT = The current gross receipts tax rate.

Procurement Class - Set of customers for which the company has a common procurement plan.

Procedural Schedule

The Company shall file the calculation of the over/under collection for the period being reconciled and the proposed adjustment to the GSA 45 days before the effective date as described below. The over/under collection adjustment for Procurement Classes 1, 2, and 3 shall be effective no earlier than the first day of the month such that the commencement of recovery shall lag by two months. The initial over/under collection adjustment for Procurement Classes 1, 2 and 3 that includes the month of December 2014 and is effective June 1, 2015 will be filed 45 days before the effective date. The over/under collection adjustment for Procurement Class 4 Hourly shall be effective no earlier than the first day of the month such that the commencement of recovery shall lag by one quarter. For Procurement Classes 1, 2 and 3 the GSA will be effective June 1, September 1, December 1 and March 1 commencing June 1, 2015 with over/under collection recovery occurring over the six month period beginning September 1 and March 1. GSA 4 Hourly rates shall be effective the first of each month with over/under collection recovery occurring over a month. The data provided in the reconciliation shall be audited on an annual basis by the PaPUC Bureau of Audits.

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NUCLEAR DECOMMISSIONING COST ADJUSTMENT CLAUSE (NDCA)

The NDCA provides for the recovery of nuclear decommissioning costs related to the Company's Ownership interest in Nuclear Generation as of 12/31/99. The NDCA shall be charged to all customers taking service under this Tariff. The adjustment shall be a cents per kWh charge calculated to the nearest one hundredth of one cent.

The Company's Ownership interest in nuclear generation as of December 31, 1999 consists of the following:

Peach Bottom 1	100%
Peach Bottom 2	42.49%
Peach Bottom 3	42.49%
Salem 1	42.59%
Salem 2	42.59%
Limerick 1	100%
Limerick 2	100%

Formula

The following formula shall be used to determine the NDCA.

$$NDCA = \frac{\text{PaPUC Authorized Decommissioning Expense Adjustment}}{\text{Total Pennsylvania Jurisdictional Sales for Calculation Year}}$$

Where:

PaPUC Authorized Decommissioning Expense Adjustment (Adjusted Annual Accrual - Base Accrual) x .95 = the Adjusted Annual Accrual in the Calculation Year less the Base Accrual. As of January 1, 2013, the NDCA shall be a credit value of \$0.0002/kWh and will be added to the distribution charge for Rates POL and SL-S, the service location distribution charge for Rate SL-E, and the Variable Distribution Service Charges for all other customers.

Total Pennsylvania Retail Jurisdictional Sales = total kWh sales under this Tariff for the calculation year including sales for distribution.

Calculation Year = year in which the Company proposes a change to the NDCA. To the extent a new cost study, performed every five years, indicates the Company requires an adjustment in the rate, the Company shall change the NDCA to reflect such new expense level. In calculating the annual expense the Company shall use the sinking fund methodology.

Adjusted Annual Accrual = accrual necessary to fund the Adjusted Obligation.

Adjusted Obligation = Gross Decommissioning Obligation reduced by \$50 million for ratemaking purposes.

Gross Decommissioning Obligation - The total decommissioning cost obligation as approved by the Commission as expressed in escalated future dollars.

Methodology for Calculating Expense

The base period expense shall be based upon the decommissioning costs set forth in the table below. The Company shall use a sinking fund methodology to determine the appropriate level of decommissioning expense. The assumptions shall be consistent with NRC policy and requirements.

The Base Accrual shall consist of the following levels for each unit.

Peach Bottom 1	\$2,992,000
Peach Bottom 2	2,588,000
Peach Bottom 3	5,976,000
Salem 1	2,651,000
Salem 2	2,509,000
Limerick 1	4,403,000
Limerick 2	8,043,000
Total	\$29,162,000

Frequency of Calculation

The annual expense shall be recalculated every five years. The Company shall adjust the NDCA to reflect the new expense level 60 days after filing the new study and the associated rate calculation with the PaPUC. The first calculation of the NDCA shall be considered to have taken place on January 1, 1998.

Completion of Decommissioning

In the event that the actual expenditures necessary to accomplish full decommissioning of the PECO interest are less than the full balance in the funds established for such purpose, PECO shall be entitled to a release of such funds to PECO for the purpose of sharing the amount between ratepayers and shareholders. In the event that such release is granted, PECO's shareholders shall be entitled to retain: (1) the first \$50 million of the net after-tax amount; and (2) 5 percent of the remaining net after-tax amount of the released funds.

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Effective January 1, 2016

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S= estimated default service retail sales in kWh for the period the cost of which is being reconciled . ¶

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ALL = the average line losses in a procurement class as a percent of generation¶

LL = the average line losses for a particular rate (e.g. HT, PD, GS) as provided in the Electric Generation Supplier Coordination Tariff rule 6.6¶

GRT = The current gross receipts tax rate¶

¶

Procurement Class – set of customers for which the company has a common procurement plan¶

Procedural Schedule¶

The Company shall file the calculation of the over/under collection for the period being reconciled and the proposed adjustment to . ¶

the GSA 45 days before the effective date as described below except for Procurement Class 1 which shall be 75 days before the (C) effective date. The over/under collection adjustment for Procurement Classes 1, 2, 3 and 4 Hourly shall be effective no earlier than the first day of the month such that the commer ... [128]

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PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of expenditures associated with the Company's proposed consumer education plan for the transition to a competitive energy market. The proposed plan shall consist of the cost of the consumer education plan approved in Docket M-2008-2032274 and P-2008-2062739. Included in these costs shall be the cost of educating customers on available mitigation options such as the Voluntary Market Rate Phase-In Rider.

Applicability: The surcharge shall be a per customer charge calculated to the nearest one cent, which shall be added to the fixed distribution rates for billing purposes for all customers. The rate shall be calculated separately for each procurement class. The current Consumer Education Plan Cost for each Class 1 is a 1.0 cent charge per month for Rates R, RH and CAP, Class 2 and 3 is a 2.0 cent charge per month for Rate GS and for Class 4 is 1.0 cents charge per month for Rates HT and PD with an April 1, 2016 effective date.

Billing Provisions: The surcharge shall be calculated on an annual basis using the following formula:

$$MC(n) = \frac{(C+S+E+I) \times 1}{R(n) \times (1-T)}$$

C – the cost of the consumer education program includes the following:

Consumer Education Costs –The incremental cost of programs designed to educate consumers regarding the coming transition to a competitive market such as advertising, customer notices, informational materials cost, and any other incremental cost associated with educating consumers about the market and about available mitigation programs offered by the Company less any cost covered by the Company's Paragraph 37 Funds. Costs associated with this program shall be expensed to FERC account 910.

MC(n) = consumer education cost and supplier-oriented bill cost per customer for procurement class n including over/(under) recovery and associated interest.

E – The estimated over or (under) recovery from the prior year. The reconciliation period shall be the 12 months ended December 31

S – The cost of implementing the supplier-oriented bill as approved in the Final Order at Docket No. M-2014-2401345.

I – Interest on any over or (under) recovery balance. Interest shall be a rate of 6% and shall be calculated from the month of over or under collection to the mid-point of the recovery period.

N – Procurement class where 1 = residential, 2 = C&I up to 100 kW, 3 = C&I from 100-500 kW, and 4 = C&I >500 kW

R – The total delivery service customers for the procurement class for the application period where the application period shall be the 12-month period commencing annually on April 1 after the reconciliation period.

T – The current Pennsylvania gross receipt tax rate included in base rates.

Filing Schedule: The estimated surcharge shall be filed by February 1 of each year to be effective on the following April 1. The application period shall be the 12 months that start the April 1 effective date of the surcharge. The Bureau of Audits shall audit the data in the surcharge on an annual basis.

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TRANSMISSION SERVICE CHARGE

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of all transmission service related costs incurred under the PJM open access transmission tariff on behalf of the Company's default service load.

Applicability: The surcharge shall be assessed to all default service customers. The cost shall be allocated to each rate class based upon the coincident peak used by PJM to establish the network service obligation.

Billing Provisions: The surcharge shall be calculated on a semi-annual basis using the formula below:

$$TSC(n) = \frac{(C+E+I)}{S(n)} \times \frac{1}{(1-T)}$$

TSC(n) = transmission service cost for customer class n including over or under recovery and associated interest.

C – the transmission service charges incurred by PECO under the PJM open access transmission tariff. These costs shall include the following:

Network Integration Transmission Service costs and Non-Firm Point to Point Transmission costs. Included in the cost to be recovered is a working capital (WC) component as defined below.

Charges assessed by PJM for network service within the PECO zone. Included in such charges are costs for the base network service charge for the zone as well as any load serving entity charges assessed to PECO under the PJM OATT that are listed in PECO's Supply Master Agreement Exhibit D as the responsibility of the Buyer. Included in the cost to be recovered is a working capital (WC) component as defined below.

WC – cost for working capital associated with the purchase of transmission service from PJM at a rate of \$363 per mW. WC is a component of the "C" factor

E – The estimated over or under recovery from the applicable reconciliation period.

I – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

n – rate class where: 1 = residential, 1a = RH, 2 = small C&I, 3 = large C&I, 4 = street lighting

- Residential – Rates R, RH (reconciled as a group)
- Small C&I – Rate GS
- Large C&I – Rates HT, PD, EP (reconciled as a group)
- Street Lighting – SLE, SLS, POL, AL, TLCL (reconciled as a group)

S – Estimated default service sales for residential class and the street lighting class in the applicable application period. For the commercial and industrial class it shall be the estimated billed demand for the applicable application period. The application period will be the period when rates will be in effect.

T – The current Pennsylvania gross receipt tax rate included in base rates.

Filings and Reconciliations: The Company shall submit filings 15 days prior to the start of the application period beginning June 1, 2015. Thereafter, the Company will file a surcharge adjustment 15 days prior to June 1 and December 1 of each year. If it is apparent that such methodology would result in a significant over or under recovery before the next 6 month filing for an individual customer class, the Company may propose a rate adjustment 15 days prior to the next effective GSA rate adjustment date (Effective date of March 1, September 1). The annual reconciliation statement will be made by December 31 each year.

Current Transmission Service Rate:

- R = \$x,xxx per kilowatthour
- RH = \$x,xxx per kilowatthour
- Small C&I = \$x,xx per billed kW
- Large C&I = \$x,xx per billed kW
- Street Lighting = \$x,xxx per kilowatt hour

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PECO Energy Company

NON-BYPASSABLE TRANSMISSION CHARGE (NBT)

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Purpose: The purpose of this surcharge is to provide for full and current cost recovery of certain transmission service related costs incurred under the PJM open access transmission tariff on behalf of the Company's distribution service load in accordance with Docket # P-2014-2409362.

Applicability: The surcharge shall be assessed to all distribution customers. The cost shall be allocated to each rate class based upon the coincident peak used by PJM to establish the network service obligation.

Billing Provisions: The NBT shall be included in distribution rates charged to customers taking service under the Residential, Small C&I and Street Lighting class rate schedules as described below.

For Rates PD, HT, and EP (Large C&I class), a PJM Peak Load Contribution (PLC) shall be determined in accordance with PJM rules and used to calculate the NBT. Customer's PLC will be computed to the nearest kilowatt. The NBT shall be recovered through a separate charge listed on customers' bills.

The surcharge shall be calculated on a semi-annual basis using the formula below:

$NBT(n) = (C+E+I)/S(n) * 1/(1-T)$ where;

NBT(n) = transmission service cost for customer class n including over or under recovery and associated interest.

C – the transmission service charges incurred by PECO under the PJM open access transmission tariff. These costs shall include the following:

Regional Transmission Expansion Plan charges, Expansion Cost Recovery charges, Generation Deactivation/Reliability Must Run charges and any costs to implement the Non-Bypassable Transmission charge in accordance with Docket # P-2014-2409362.

E – The estimated over or under recovery from the applicable reconciliation period.

I – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

n – rate class where: 1 = residential, 1a = RH, 2 = small C&I, 3 = large C&I, 4 = street lighting

- Residential – Rates R, RH (reconciled as a group)
- Small C&I – Rate GS
- Large C&I – Rates HT, PD, EP (reconciled as a group)
- Street Lighting – SLE, SLS, POL, AL, TLCL (reconciled as a group)

S – Estimated distribution service sales for residential class and the street lighting class in the applicable application period. For the Small C&I class (Rate GS) it shall be the estimated billed demand for the applicable application period. For the Large C&I class (Rates PD, HT, and EP), the PJM PLC shall be used to calculate the NBT. The application period will be the period when rates will be in effect.

T – The currently effective gross receipts tax rate.

Filings and Reconciliations: The Company shall submit filings 15 days prior to the start of the application period beginning June 1, 2015. Thereafter, the Company will file a surcharge adjustment 15 days prior to June 1 and December 1 of each year. If it is apparent that such methodology would result in a significant over or under recovery before the next 6 month filing for an individual customer class, the Company may propose a rate adjustment 15 days prior to the next effective GSA rate adjustment date (Effective date of March 1, September 1). The annual reconciliation statement will be made by December 31 each year.

Current Non-Bypassable Transmission Rate:

- R= \$x,xxx per kilowatthour
- RH= \$x,xxx per kilowatthour
- Small C&I = \$x.xx per billed kW
- Large C&I = \$x.xx per kW based on the PJM PLC
- Street Lighting = \$x,xxx per kilowatt hour*

*Except for Rate AL = \$x,xxx per location

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PECO Energy Company

SMART METER COST RECOVERY SURCHARGE (SMCRS)

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of all remaining costs associated with the Company's Smart Meter Program after "roll-out" of the incremental costs in accordance with the Final Rate Order at Docket No. R-2015-2468981.

Applicability: The surcharge shall be a per-customer charge calculated to the nearest one cent, which shall be added to the fixed distribution rates for billing purposes for all commercial and industrial customers with metered service. The surcharge shall be on a cents per kWh basis for residential customers, included in the variable distribution rates, calculated to the nearest one hundredth of a cent. The rate shall be calculated separately for each customer class (residential, small commercial and industrial, and large commercial and industrial).
Billing Provisions: The surcharge shall be calculated on a quarterly basis using the following formula:

$$SM(n) = \frac{E+I}{R(n)} \times \frac{1}{(1-T)}$$

SM(n) = smart meter cost for customer class "n" including over or under recovery and associated interest.

E – The estimated over or under recovery from the prior year. The reconciliation period shall be the 12 months ended June 30.

I – Interest on any over or under recovery balance. Interest shall be a rate of 6% and shall be calculated from the month of over or under collection to the mid-point of the recovery period.

n – rate class where: 1 = residential, 2 = small C&I, 3 = large C&I

Residential – Rates R, RH, = \$X.XXX/kWh
Small C&I – Rate GS = \$XXX/Fixed Distribution Charge
Large C&I – Rates HT, PD, EP = \$XXX/Fixed Distribution Charge

R – The total delivery service customers for the commercial and industrial rate class for the application period where the application period shall be as defined in the filing schedule. In the case of the residential class it shall represent delivered sales for the application period.

T – The current Pennsylvania gross receipt tax rate included in base rates.

Filing Schedule: The estimated surcharge shall be filed 15 days prior to the start of the application period. Quarterly rates shall be effective on the first full billing cycle starting after January 1, April 1, July 1 and October 1. The quarterly rates will only be updated if the rate changes by more than 5%. The reconciliation filing shall be made on August 1 of each year. The resultant over or under recovery shall be included in the Smart Meter surcharge commencing on January 1 following the reconciliation filing. Effective January 1, 2016 and in accordance with the Final Rate Order at Docket No. R-2015-2468981, the SMCRS may be set on a more frequent basis than quarterly, and using revised R factor values, to ensure that any over/under recovery remaining after "roll-out" of the incremental costs are properly recouped or refunded as applicable. In addition, the 5% rate change limit will not apply. For any required SMCRS change in 2016, such tariff rates may be filed on less than 15 days' notice. If any over/under collection balance is expected to remain after December 31, 2016, the Company may propose an additional rate adjustment to ensure that the balance is eliminated. A final reconciliation statement will be filed within 30 days after the completion of the final over/under collection refund/recovery.

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PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT (TARC)

Purpose: The purpose of this credit is to provide customers a bill credit for the tax benefits gained as a result of a change in the method of tax accounting for certain expenditures. The Tax Accounting Repair Credit is as proposed in the Settlement at Docket No. R-2010-2161575 in Section II E(2) and the Settlement at Docket No. R-2015-2468981 in Section II E (20).

Applicability: The credit shall be calculated to the nearest one-hundredth of a cent for billing purposes for all customers, except for customers on Rates SLE, SLS, POL, TLCL and AL where it shall be the nearest one cent. The TARC shall be credited to each rate schedule as follows:

Rate R	(\$0.0009)/kWh
Rate RH	(\$0.0009)/kWh
Rate GS	(\$0.0006)/kWh
Rate POL	(\$0.25)/lamp
Rate SL-S	(\$3.00)/lamp
Rate SL-E	(\$0.2500)/location
Rate AL	(\$0.2500)/location
Rate TLCL	(\$0.2500)/location
Rates HT, PD, EP	(\$0.0002)/kWh

The Variable Distribution Service charges, for the above rate schedules shall include the above listed TARC credits. For the lighting rate schedules, the applicable location or fixed distribution service charges shall include the TARC credit.

Calculation of TARC Credit:

Billing Provisions: The credit shall be calculated by rate schedule using the following formula:

$$TARC = \frac{R(n) \cdot I}{BU(n) \cdot (1-T)}$$

R(n) – The amount accrued as a result of a change in the tax accounting method for electric system repairs for rate class n divided by 7.

I – Interest on the bill credit. Interest shall be at a rate of 6% simple interest and shall be calculated on the monthly unamortized balance of the tax effected catch-up deduction.

BU(n) – The total annual Billing Units for the rate class.

T – The current Pennsylvania gross receipt tax rate included in base rates.

Filings and Reconciliations: One year prior to the scheduled expiration of the credit the Company will evaluate whether a change in the credit is required in order to avoid a significant over or under recovery at the end of the rate credit period. If a base rate case has not been filed prior to the expiration of the credit, a final reconciliation filing will be made on or before January 31, 2019, at which time any under or over recoveries will be reflected in rates in effect from April 1, 2019 to June 30, 2019. If it is apparent that such methodology would result in a significant over or under recovery at December 31, 2018 for an individual rate class the Company will propose a revised rate credit to become effective April 1, 2018. Interest will not be applied to any over or undercollections for the bill credit prior to January 1, 2016. Starting on January 1, 2016 the bill credit will reflect 6% simple interest on the monthly unamortized balance of the tax-effected catch-up deduction in accordance with the Settlement at Docket No. R-2015-2468981 in Section II E (20). If the amount to be credited to customers is modified based upon the results of an IRS audit of the accounting change, the Company shall modify the credit accordingly through a filing with the Commission. Such filing shall be made 60 days prior to the effective date. Additionally, if the value of the credit has been reduced due to a State Net Operating Loss (NOL), a filing shall be made to increase the credit when the NOL has been used by the Company.

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PECO Energy Company

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PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS (EEPC) – Phase II

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of expenditures associated with the Company's Phase II Energy Efficiency and Conservation Program Costs (EEPC).

Applicability: The surcharge shall be calculated to the nearest one-hundredth of a cent for billing purposes for all customers. The EEPC shall be charged to each rate schedule using the following units:

- Phase II
- Rates R, RS, RH, CAP: \$0.0035/kWh
 - Rates GS: \$0.0024/kWh
 - Rate SL-E: \$0.22/location
 - Rate AL: \$0.07/location
 - Rate TLCL: \$0.003/kWh
 - Rates HT, PD, EP: \$0.79/kW based on PJM Peak Load Contribution (PLC)

The Variable Distribution Service charges, for the residential rate schedules shall include the above listed EEPC surcharge. For the municipal lighting rate schedules, the applicable variable or fixed distribution service charges shall include the EEPC surcharge.

For Rate GS, the EEPC shall be recovered through a separate variable distribution charge listed on customer's bills. For Rates PD, HT and EP, a PJM PLC shall be determined in accordance with PJM rules and used to calculate the EEPC. Customer's PLC will be computed to the nearest kilowatt. The EEPC shall be recovered through a separate variable distribution charge listed on customer bills.

Calculation of EEPC Surcharge and the Over/Under Recovery:

Billing Provisions: The surcharge and over/under recovery shall be calculated by rate schedule using the following formulas:

$$EEPC(n) = \frac{(C)+(SWE)}{(BU)} \times \frac{(1)}{(1-T)}$$

$$EEPC(o/u) = \frac{(E)+(SWE)}{(BU)} \times \frac{(1)}{(1-T)} \text{ where:}$$

C – The cost of the Energy Efficiency and Conservation Program includes: all expenditures, of the individual programs such as materials, equipment, installation, custom programs, evaluation measurement/verification, educating customers about availability to the extent not included in Consumer Education cost, not recovered through any separate recovery mechanism, and any other cost associated with implementation of the programs. Any direct load control benefits to the Company from the programs shall be credited against the cost. The program costs are those approved by the PAPUC and audit costs for the Phase II program ending May 31, 2016.

E – The over or (under) recovery as of May 31, 2016 equals costs and revenues from June 1, 2013 through May 31, 2016.

SWE – The cost in dollars of the PaPUC's Statewide Evaluator. These costs will be reconciled separately and added to the EEPC and will not be subject to the 2% spending limit of the EE&C Plan.

BU – The total Billing Units for the applicable recovery period.

T – The current Pennsylvania gross receipts tax rate included in base rates.

n – The applicable period for which the surcharge is calculated. For Phase II, the surcharge period is June 1, 2013 through May 31, 2016.

o/u – The applicable period for which the over/under collection refund/recovery is calculated. For Phase II, the over/under collection refund/recovery period is June 1, 2016 through May 31, 2017.

Filings and Reconciliations: Rates will not be adjusted until May 31, 2016 of the final plan year, at that time any under or over recoveries will be reflected in rates in effect through May 31, 2017. The June 1, 2016 rates will reflect the most recent actual and estimated costs and revenues available at the time when the reconciliation filing is submitted. If it is apparent that such methodology would result in a significant over or under recovery at May 31, 2016 for an individual customer class the Company may propose a rate adjustment prior to May 31, 2016. The reconciliation during June 1, 2016 through May 31, 2017 will be done monthly, if necessary, in order to ensure full over/under collection refund/recovery. In the event the Company determines a rate change is required, such tariff rates will be filed on no less than 10 days notice. The over/under collection refund/recovery rates will be calculated using projected Billing Units for the appropriate time period. If any over/under collection balance is expected to remain after May 31, 2017 the Company will propose an additional rate adjustment to ensure that the balance is eliminated.

A reconciliation statement filing, in accordance with C.S. Title 66 §1307(e), will be made by June 30 of each year. A final reconciliation statement will be filed within 30 days after the completion of the final over/under collection refund/recovery. Interest will not be applied to any over or undercollections.

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RATE R RESIDENCE SERVICE

AVAILABILITY.

Single phase service in the entire territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for the domestic requirements of its members when such service is supplied through one meter. Service is also available for related farm purposes when such service is supplied through one meter in conjunction with the farmhouse domestic requirements.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date must be individually metered for their basic service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation.

The term "residence service" includes service to: (a) the separate dwelling unit in an apartment house or condominium, but not the halls, basement, or other portions of such building common to more than one such unit; (b) the premises occupied as the living quarters of five persons or less who unite to establish a common dwelling place for their own personal comfort and convenience on a cost sharing basis; (c) the premises owned by a church, and primarily designated or set aside for, and actually occupied and used as, the dwelling place of a priest, rabbi, pastor, rector, nun or other functioning Church Divine, and the resident associates; (d) private dwellings in which a portion of the space is used for the conduct of business by a person residing therein; (e) farm purpose uses by an individual employing the natural processes of growth for the production of grain, stock, dairy, poultry, garden truck, or other agricultural products.

The term does NOT include service to: (a) Premises institutional in character including Clubs, Fraternities, Orphanages or Homes; (b) premises defined as a rooming house or boarding house in the Municipal Code for Cities of the First Class enacted by Act of General Assembly; (c) a premises containing a residence unit but primarily devoted to a professional or other office, studio, or other gainful pursuit; (d) farms operated principally to sell, prepare, or process products produced by others, or farms using air conditioning for climatic control in conjunction with growth processes (except those customers receiving such service as of August 2, 1969); (e) electric furnaces or welding apparatus other than a transformer type "limited input" arc welder with an input not to exceed 37 1/2 amperes at 240 volts.

CURRENT CHARACTERISTICS. Standard single phase secondary service.

MONTHLY RATE TABLE

FIXED DISTRIBUTION SERVICE CHARGE: \$8.45

FIXED DISTRIBUTION SERVICE CHARGE FOR FORMER OFF-PEAK METERS: \$1.92

VARIABLE DISTRIBUTION SERVICE CHARGE:

All kWhs \$0.06677 per kWh

ENERGY SUPPLY CHARGE:

Refer to the Generation Supply Adjustment Procurement Class 1.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Service Charge.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, UNIVERSAL SERVICE FUND CHARGE, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

PAYMENT TERMS. Standard.

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PECO Energy Company

RATE R H RESIDENTIAL HEATING SERVICE

AVAILABILITY

Single phase service to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for domestic requirements when such service is provided through one meter and where the dwelling is heated by specified types of electric space heating systems. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling, (b) heat pump installations where the heat pump serves as the heating system for the dwelling and all of the supplementary heating required is supplied by electric resistance heaters, and (c) heat pump installations where the heat pump serves as the heating system for the dwelling and all of the supplementary heating required is supplied by non electric energy sources. All space heating installations must meet Company requirements. This rate schedule is not available for commercial, institutional or industrial establishments.

Wood, solar, wind, water, and biomass systems may be used to supply a portion of the heating requirements in conjunction with service provided hereunder. Any customer system of this type that produces electric energy may not be operated concurrently with service provided by the Company except under written agreement setting forth the conditions of such operation as provided by and in accordance with the provisions of the Auxiliary Service Rider.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date, must be individually metered.

CURRENT CHARACTERISTICS. Standard single phase secondary service.

MONTHLY RATE TABLE

FIXED DISTRIBUTION SERVICE CHARGE: \$8.45
FIXED DISTRIBUTION SERVICE CHARGE FOR FORMER OFF-PEAK METERS: \$1.92

VARIABLE DISTRIBUTION SERVICE CHARGE:

SUMMER MONTHS. (June through September)
\$0.06677 per kWh for all kWh
WINTER MONTHS. (October through May)
\$0.04865 per kWh for all kWh

ENERGY SUPPLY CHARGE:

Refer to the Generation Supply Adjustment Procurement Class 1.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

MINIMUM CHARGE. The minimum charge per month will be the Fixed Distribution Service Charge.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, UNIVERSAL SERVICE FUND CHARGE, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

COMBINED RESIDENTIAL AND COMMERCIAL SERVICE. Where a portion of the service provided is used for commercial purposes, the appropriate general service rate is applicable to all service; or, at the option of the customer, the wiring may be so arranged that the residential service may be separately metered and this rate is then applicable to the residential service only.

PAYMENT TERMS. Standard.

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RATE RS-2 NET METERING

PURPOSE

This Rate sets forth the eligibility, terms and conditions applicable to Customers with installed qualifying renewable customer-owned generation using a net metering system.

APPLICABILITY

This Rate applies to renewable customer-generators served under Rates R, RH, CAP, GS, HT, PD and EP who install a device or devices which are, in the Company's judgment, subject to Commission review, a bona fide technology for use in generating electricity from qualifying Tier I or Tier II alternative energy sources pursuant to Alternative Energy Portfolio Standards Act No. 2004-213 (Act 213) or Commission regulations and which will be operated in parallel with the Company's system. This Rate is limited to installations where the renewable energy generating system is intended primarily to offset part or all of the customer-generator's requirements for electricity. A renewable customer-generator is a non-utility owner or operator of a net metered generation system with a nameplate capacity of not greater than 50 kilowatts if installed at a residential service (Rate R, RH, or CAP) or not larger than 3,000 kilowatts at other customer service locations (Rate GS, HT, PD and EP), except for Customers whose systems are above 3 megawatts and up to 5 megawatts who make their systems available to operate in parallel with the Company during grid emergencies as defined by the regional transmission organization or where a microgrid is in place for the purpose of maintaining critical infrastructure such as homeland security assignments, emergency services facilities, hospitals, traffic signals, wastewater treatment plants or telecommunications facilities provided that technical rules for operating generators interconnected with facilities of the Company have been promulgated by the Institute of Electrical and Electronic Engineers "IEEE" and the Commission.

Qualifying renewable energy installations are limited to Tier I and Tier II alternative energy sources as defined by Act 213 and Commission Regulations. The Customer's equipment must conform to the Commission's Interconnection Standards and Regulations pursuant to Act 213. This Rate is not applicable when the source of supply is service purchased from a neighboring electric utility under Borderline Service.

Service under this Rate is available upon request to renewable customer-generators on a first come, first served basis so long as the total rated generating capacity installed by renewable customer-generator facilities does not adversely impact service to other Customers and does not compromise the protection scheme(s) employed on the Company's electric distribution system.

METERING PROVISIONS

A Customer may select one of the following metering options in conjunction with service under applicable Rate Schedule R, RH, CAP, GS, HT, PD or EP.

1. A customer-generator facility used for net metering shall be equipped with a single bi-directional meter that can measure and record the flow of electricity in both directions at the same rate. A dual meter arrangement may be substituted for a single bi-directional meter at the Company's expense.
2. If the customer-generator's existing electric metering equipment does not meet the requirements under option (1) above, the Company shall install new metering equipment for the customer-generator at the Company's expense. Any subsequent metering equipment change necessitated by the customer-generator shall be paid for by the customer-generator. The customer-generator has the option of utilizing a qualified meter service provider to install metering equipment for the measurement of generation at the customer-generator's expense.

Additional metering equipment for the purpose of qualifying alternative energy credits owned by the customer-generator shall be paid for by the customer-generator. The Company shall take title to the alternative energy credits produced by a customer-generator where the customer-generator has expressly rejected title to the credits. In the event that the Company takes title to the alternative energy credits, the Company will pay for and install the necessary metering equipment to qualify the alternative energy credits. The Company shall, prior to taking title to any alternative energy credits, fully inform the customer-generator of the potential value of those credits and options available to the customer-generator for their disposition.

3. Meter aggregation on properties owned or leased and operated by a customer-generator shall be allowed for purposes of net metering. Meter aggregation shall be limited to meters located on properties within two (2) miles of the boundaries of the customer-generator's property. Meter aggregation shall only be available for properties located within the Company's service territory. Physical meter aggregation shall be at the customer-generator's expense. The Company shall provide the necessary equipment to complete physical aggregation. If the customer-generator requests virtual meter aggregation, it shall be provided by the Company at the customer-generator's expense. The customer-generator shall be responsible only for any incremental expense entailed in processing his account on a virtual meter aggregation basis.

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RATE RS-2 NET METERING (continued)

BILLING PROVISIONS

The following billing provisions apply to customer-generators in conjunction with service under applicable Rates R, RH, CAP, GS, HT, PD, EP.

1. The customer-generator will receive a credit for each kilowatt-hour received by the Company up to the total amount of electricity delivered to the Customer during the billing period at the full retail rate consistent with Commission regulations. If a customer-generator supplies more electricity to the Company than the Company delivers to the customer-generator in a given billing period, the excess kilowatt hours shall be carried forward and credited against the customer-generator's usage in subsequent billing periods at the full retail rate. Any excess kilowatt hours will continue to accumulate until the end of the PJM planning period ending May 31 of each year. On an annual basis, the Company will compensate the customer-generator for kilowatt-hours received from the customer-generator in excess of the kilowatt hours delivered by Company to the customer-generator during the preceding year at the "full retail value for all energy produced" consistent with Commission regulations. The customer-generator is responsible for the customer charge, demand charge and other applicable charges under the applicable Rate Schedule.
2. If the Company supplies more kilowatt-hours of electricity than the customer-generator facility feeds back to the Company's system during the billing period, all charges of the appropriate rate schedule shall be applied to the net kilowatt-hours of electricity that the Company supplied. The customer-generator is responsible for the customer charge, demand charge and other applicable charges under the applicable Rate Schedule.
3. For customer-generators involved in virtual meter aggregation programs, a credit shall be applied first to the meter through which the generating facility supplies electricity to the distribution system, then through the remaining meters for the customer-generator's account equally at each meter's designated rate. Virtual meter aggregation is the combination of readings and billing for all meters regardless of rate class on properties owned or leased and operated by a customer-generator by means of the Company's billing process, rather than through physical rewiring of the customer-generator's property for a physical, single point of contact. The customer-generators are responsible for the customer charge, demand charge and other applicable charges under the applicable Rate Schedule.
4. Procurement Class 4 customer-generators will receive a generation credit, at the PJM Day Ahead hourly energy rate, for each kilowatt hour received by the Company during each hour of the billing period up to the total amount of electricity delivered to the customer during each hour of the billing period.

If a Procurement Class 4 customer-generator supplies more electricity to the Company than the Company delivers to the customer-generator during any hour in the billing period, the excess kilowatt hours shall not be carried forward to a subsequent billing period but will be credited in the current month toward generation charges based on the PJM Day Ahead hourly rate. Any excess kilowatt hours at the end of the PJM planning period will not carry over to the next year.

5. Procurement Class 4 customer-generators will also receive a variable distribution credit for each kilowatt hour received by the Company during the monthly billing period up to the total amount of electricity delivered to the Customer during the monthly billing period at the applicable distribution rate.

If a Procurement Class 4 customer-generator supplies more electricity to the Company than the Company delivers to the customer-generator, the variable distribution charges will be reduced by the excess kilowatt hours, which will be carried forward and credited against the customer-generator's distribution kilowatt hours in subsequent billing periods until the end of the PJM planning period, ending May 31 of each year.

Procurement Class 4 customer-generators are responsible for the customer charge, demand charge and other applicable charges under the applicable Rate Schedule.

Any excess kilowatt hours at the end of the PJM planning period will not carry over to the next year and reduce distribution charges.

NET METERING FOR SHOPPING CUSTOMERS

1. Customer-generators may take net metering services from EGSs that offer such services.
2. If a net-metering customer takes service from an EGS, the Company will credit the customer for distribution charges for each kilowatt hour produced by a Tier I or Tier II resource installed on the customer-generator's side of the electric revenue meter, up to the total amount of kilowatt hours delivered to the customer by the Company during the billing period. If a customer-generator supplies more electricity to the electric distribution system than the EDC delivers to the customer-generator in a given billing period, the excess kilowatt hours shall be carried forward and credited against the customer-generator's usage in subsequent billing periods at the Company's distribution rates. Any excess kilowatt hours at the end of the PJM planning period will not carry over to the next year and reduce distribution charges. The customer-generator is responsible for the customer charge, demand charge and other applicable charges under the applicable Rates Schedule.
3. If the Company delivers more kilowatt hours of electricity than the customer-generator facility feeds back to the Company's system during the billing period, all charges of the applicable rate schedule shall be applied to the net kilowatt hours of electricity that the Company delivered. The customer-generator is responsible for the customer charge, demand charge and other applicable charges under the applicable Rate Schedule.
4. Pursuant to Commission regulations, the credit or compensation terms for excess electricity produced by customer-generators who are customers of EGSs shall be stated in the service agreement between the customer-generator and the EGS.
5. If a customer-generator switches electricity suppliers, the Company shall treat the end of the service as if it were the end of the PJM planning period.

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RATE RS-2 NET METERING (continued)

APPLICATION

Customer generators seeking to receive service under the provisions of this Rate must submit a written application to the Company demonstrating compliance with the Net Metering Rate provisions and quantifying the total rated generating capacity of the customer-generator facility. The installation cannot be directly connected to the Company's distribution system ("stand alone"). Instead, the installation must be connected to a facility (residence or business) that is connected to the Company's distribution system.

MINIMUM CHARGE

The Minimum Charges under Rate Schedule R, RH, CAP, GS, PD, HT and EP apply for installations under this Rate.

RIDERS

Bills rendered by the Company under this Rate shall be subject to charges stated in any other applicable Rate.

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RATE-GS GENERAL SERVICE

AVAILABILITY.

Service through a single metering installation for offices, professional, commercial or industrial establishments, governmental agencies, and other applications outside the scope of the Residence Service rate schedules. For service configurations that are nominally 120/208 volts, 3 phase, 4 wires and the service capacity exceeds 750 kVa for transformers located either inside or outside the building, the only rate option available to the customer will be Rate HT. For service configurations that are nominally 277/480 volts, 3 phase, 4 wires and capacity exceeds either 750 kVa for transformers located inside the building or 1,500 kVa for transformers located outside the building, the only rate option available to the customer will be Rate HT.

CURRENT CHARACTERISTICS.

Standard single-phase or polyphase secondary service.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION SERVICE CHARGE:

- \$ 14.29 for single-phase service without demand measurement, or
- \$ 18.20 for single-phase service with demand measurement, or
- \$ 43.54 for polyphase service.

VARIABLE DISTRIBUTION SERVICE CHARGE:

- \$7.97 per kW of billed demand
- (\$0.0006) per kWh for all kWh.

ENERGY EFFICIENCY CHARGE: \$0.0024 per kWh

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2, 3 or 4

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

DETERMINATION OF DEMAND.

The billing demand may be measured where consumption exceeds 1,100 kilowatt-hours per month for three consecutive months; or where load tests indicate a demand of five or more kilowatts; or where the customer requests demand measurement. Measured demands will be determined to the nearest 0.1 of a kilowatt but will not be less than 1.2 kilowatts, and will be adjusted for power factor in accordance with the Rules and Regulations.

For those customers with demand measurement the billing demand will be determined as follows:

- (a) For customers with demand up to 500 kW, the billing demand shall be the measured demand, with a minimum billing demand of 1.2 kW.
- (b) For customers with demand greater than 500 kW, the billing demand shall be the greater of (i) the measured demand, (ii) 40% of the maximum contract demand; or (iii) the maximum measured demand from the prior year. These customers will be identified according to the process listed in Tariff Rule 22.

If a measured demand customer has less than 1,100 monthly kilowatt-hours of use, the monthly billing demand will be the measured demand or the metered monthly kilowatt-hours divided by 175 hours, whichever is less, but not less than 1.2 kilowatts.

For those customers without demand measurement, the monthly billing demand will be computed by dividing the metered monthly kilowatt-hours by 175 hours. The computed demand will be determined to the nearest 0.1 of a kilowatt, but will not be less than 1.2 kilowatts.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, the billing demand will not be less than 40% of the maximum demand specified in the contract. The 25 kW minimum shall apply to the Energy Supply Charge and the Transmission Supply Charge.

MINIMUM CHARGE.

The monthly minimum charge for customers without demand measurement will be the Fixed Distribution Service Charge. The monthly minimum charge for customers with demand measurement will be the Fixed Distribution Service Charge, plus a charge of \$4.96 per KW of billing demand. In addition to the above, for customers in Procurement Class 4 charges will be assessed on PJM's reliability pricing model.

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RATE-GS GENERAL SERVICE (continued)

SPECIAL PROVISION.

In accordance with Section 1511, Title 66 Public Utilities, a volunteer fire company, non-profit rescue squad, non-profit ambulance service or a non-profit senior citizen center meeting the requirements set forth below, may, upon application, elect to have its electric service billed at any of the following rate schedules: Rate R Residential Service or Rate R-H Residential Heating Service, as appropriate for the application. The execution of an electric service contract for a minimum term of one year at the chosen rate will be required of any entity electing service pursuant to the options provided by this provision.

For the purposes of this provision, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise:

VOLUNTEER FIRE COMPANY. A separately metered service location consisting of a building, sirens, a garage for housing vehicular fire fighting equipment, or a facility certified by the Pennsylvania Emergency Management Agency (PEMA) for fire fighter training. The use of electric service at this location shall be to support the activities of the volunteer fire company. Any fund raising activities at this service location must be used solely to support volunteer fire fighting operations.

The customer of record at this service location must be a predominantly volunteer fire company recognized by the local municipality or PEMA as a provider of firefighting services.

NON PROFIT SENIOR CITIZEN CENTER. A separately metered service location consisting of a facility for the use of senior citizens coming together as individuals or groups and where access to a wide range of services to senior citizens is provided. The customer of record at this service location must be an organization recognized by the Internal Revenue Service (IRS) or the Commonwealth as a nonprofit entity and recognized by the Pennsylvania Department of Aging as an operator of a senior citizen center.

NON-PROFIT RESCUE SQUAD. A separately metered service location consisting of a building, sirens, a garage for housing vehicular rescue equipment; and qualified by the Commonwealth as a non-profit entity; and a facility recognized by the Pennsylvania Emergency Management Agency (PEMA) or the Pennsylvania Department of Health as a provider of rescue services. The use of electric service at this location shall be to support the activities of the non-profit rescue squad. Any fund raising activities at this service location must be used solely to support the non-profit rescue squad operations.

NON-PROFIT AMBULANCE SERVICE. A separately metered service location consisting of a building, sirens, a garage for housing vehicular rescue equipment; and qualified by the Commonwealth as a non-profit entity; and a facility licensed by the Pennsylvania Department of Health as a provider of ambulance services. The use of electric service at this location shall be to support the activities of the non-profit ambulance service. Any fund raising activities at this service location must be used solely to support the non-profit ambulance service operations.

TERM OF CONTRACT.

The initial contract term shall be for at least one year.

PAYMENT TERMS.

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RATE-PD PRIMARY DISTRIBUTION POWER

AVAILABILITY.

Untransformed service from the primary supply lines of the Company's distribution system where the customer installs, owns, and maintains any transforming, switching and other receiving equipment required. However, standard primary service is not available in areas where the distribution voltage has been changed to either 13 kV or 33 kV unless the customer was served with standard primary service before the conversion of the area to either 13 kV or 33 kV. This rate is available only for service locations served on this rate on July 6, 1987 as long as the original primary service has not been removed. PECO Energy may refuse to increase the load supplied to a customer served under this rate when, in PECO Energy's sole judgment, any transmission or distribution capacity limitations exist. If a customer changes the billing rate of a location being served on this rate, PECO Energy may refuse to change that location back to Rate PD when, in PECO Energy's sole judgment, any transmission or distribution capacity limitations exist.

CURRENT CHARACTERISTICS.

Standard primary service.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION SERVICE CHARGE: \$296.40

VARIABLE DISTRIBUTION SERVICE CHARGE:

\$0.93 per kW of billing demand
(\$0.0002) per kWh for all kWh

ENERGY EFFICIENCY CHARGE: \$0.79 per kW of Peak Load Contribution

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2, 3 or 4

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. The 25kW minimum shall apply to the Energy Supply Charge and the Transmission Supply Charge. Additionally, the billing demand will not be less than 40% of the maximum demand specified in the contract.

MINIMUM CHARGE.

The monthly minimum charge shall be the Fixed Distribution Service Charge, plus the charge per kW component of the Variable Distribution Service Charge, plus in the case of Procurement Class 4 customers, charges assessed under PJM's reliability pricing model.

TERM OF CONTRACT.

The initial contract term shall be for at least three years.

PAYMENT TERMS.

Standard.

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PECO Energy Company

RATE-HT HIGH TENSION POWER

AVAILABILITY.

Untransformed service from the Company's standard high tension lines, where the customer installs, owns, and maintains, any transforming, switching and other receiving equipment required.

CURRENT CHARACTERISTICS.

Standard high tension service.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION SERVICE CHARGE: \$299.63

VARIABLE DISTRIBUTION SERVICE CHARGE:

\$4.67 per kW of billing demand

(\$0.0002) per kWh for all kWh

HIGH VOLTAGE DISTRIBUTION DISCOUNT:

For customers supplied at 33,000 volts: \$0.15 per kW of measured demand.

For customers supplied at 69,000 volts: \$0.48 per kW for first 10,000 kW of measured demand.

For customers supplied over 69,000 volts: \$0.48 per kW for first 100,000 kW of measured demand.

ENERGY EFFICIENCY CHARGE: \$0.79 per kW of Peak Load Contribution

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2, 3 or 4.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM, SMART METER COST RECOVERY SURCHARGE PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT APPLY TO THIS RATE.

DETERMINATION OF BILLING DEMAND.

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 25 kilowatts. Additionally, the billing demand will not be less than 40% of the maximum demand specified in the contract. The 25 kW minimum shall apply to the Energy Supply Charge and the Transmission Supply Charge.

CONJUNCTIVE BILLING OF MULTIPLE DELIVERY POINTS.

If the load of a customer located at a delivery point becomes greater than the capacity of the standard circuit or circuits established by the Company to supply the customer at that delivery point, upon the written request of the customer, the Company will establish a new delivery point and bill the customer as if it were delivering and metering the two services at a single point, as long as installation of the new service is, in the Company's opinion, less costly for the Company than upgrading the service to the first delivery point and provided that such multi-point delivery is not disadvantageous to the Company.

MINIMUM CHARGE.

The monthly minimum charge shall be the Fixed Distribution Service Charge, plus the charge per kW component of the Variable Distribution Service Charge, and modify less the high voltage discount where applicable plus in the case of Procurement Class 4 customers, charges assessed on PJM's reliability pricing model.

TERM OF CONTRACT.

The initial contract term shall be for at least three years.

PAYMENT TERMS.

Standard.

Issued XXX X, XXXX

Effective January 1, 2016

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For customers supplied at 69,000
volts: \$ 0.524545¢ per kW for first
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69,000 volts: \$0.5245¢ per kW [386]

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PECO Energy Company

RATE EP ELECTRIC PROPULSION

AVAILABILITY

This rate is available only to the National Rail Passenger Corporation (AMTRAK) and to the Southeastern Pennsylvania Transportation Authority (SEPTA) for untransformed service from the Company's standard high tension lines where the customer installs, owns, and maintains any transforming, switching and other receiving equipment required and where the service is provided for the operation of electrified transit and railroad systems and appurtenances.

CURRENT CHARACTERISTICS

Standard sixty hertz (60 Hz) high tension service.

MONTHLY RATE TABLE

FIXED DISTRIBUTION SERVICE CHARGE: \$1,292.35 per delivery point

VARIABLE DISTRIBUTION SERVICE CHARGE:

\$4.20 per kW of billing demand

(\$0.0002) per kWh for all kWh

HIGH VOLTAGE DISTRIBUTION DISCOUNT:

For delivery points supplied at 33,000 volts: \$0.15 per kW.

For delivery points supplied at 69,000 volts: \$0.48 per kW for first 10,000 kW of measured demand.

For delivery points supplied over 69,000 volts \$0.48 per kW for first 100,000 kW of measured demand.

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 4.

ENERGY EFFICIENCY CHARGE: \$0.79 per kW of Peak Load Contribution

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT APPLY TO THIS RATE.

DETERMINATION OF BILLING DEMAND

The billing demand will be computed to the nearest kilowatt and will never be less than the measured demand, adjusted for power factor in accordance with the Rules and Regulations, nor less than 5,000 kilowatts. Additionally, the billing demand will not be less than 40% of the maximum demand specified in the contract.

CONJUNCTIVE BILLING OF MULTIPLE DELIVERY POINTS

If the load of a customer located at a delivery point becomes greater than the capacity of the standard circuit or circuits established by the Company to supply the customer at that delivery point, upon the written request of the customer, the Company will establish a new delivery point and bill the customer as if it were delivering and metering the two services at a single point, as long as installation of the new service is, in the Company's opinion, less costly for the Company than upgrading the service to the first delivery point and provided that such multi-point delivery is not disadvantageous to the Company.

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PECO Energy Company

Tariff Electric Pa. P.U.C. No. 5
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RATE POL PRIVATE OUTDOOR LIGHTING

AVAILABILITY.

Outdoor lighting of sidewalks, driveways, yards, lots and similar places, outside the scope of service under Rate SL-S and SL-E.

MONTHLY RATE TABLE.

MERCURY-VAPOR LAMPS

100 Watts (nominally 4,000 Lumens)
175 Watts (nominally 8,000 Lumens)
250 Watts (nominally 12,000 Lumens)
400 Watts (nominally 20,000 Lumens)
400 Watts Floodlight (nominally 22,000 Lumens)

PRICE PER LIGHTING UNIT DISTRIBUTION
(Co.Pole) (Cust.Pole)

\$13.63	\$12.17
\$18.52	\$17.12
\$22.84	\$21.59
\$29.45	\$27.80
\$31.91	\$30.26

SODIUM-VAPOR LAMPS

70 Watts (nominally 5,800 Lumens)
250 Watts (nominally 25,000 Lumens)
400 Watts (nominally 50,000 Lumens)
400 Watts Floodlight (nominally 50,000 Lumens)

DISTRIBUTION
(Co.Pole) (Cust.Pole)

\$18.78	\$17.35
\$29.87	\$28.22
\$32.66	\$31.01
\$35.10	\$33.45

Service to the above listed Mercury-Vapor Lamps and Sodium-Vapor Lamps will not be available after January 1, 2016 to new Customers or existing customers for new or replacement luminaires. The Company will not replace defective or broken mercury vapor or sodium vapor luminaires, including ballasts. In such cases, the customer must take service under one of the current lighting unit options as set forth below.

STANDARD METAL HALIDE LAMPS

100 Watts (nominally 7,800 Lumens)
175 Watts (nominally 13,000 Lumens)
250 Watts (nominally 20,500 Lumens)
400 Watts (nominally 36,000 Lumens)
1000 Watts (nominally 110,000 Lumens)

DISTRIBUTION
(Co.Pole) (Cust.Pole)

\$27.97	\$27.04
\$29.34	\$27.61
\$31.03	\$29.32
\$34.56	\$32.95
\$60.29	\$58.71

STANDARD HIGH PRESSURE SODIUM LAMPS

50 Watts (nominally 4,000 Lumens)
70 Watts (nominally 5,800 Lumens)
100 Watts (nominally 9,500 Lumens)
150 Watts (nominally 16,000 Lumens)
250 Watts (nominally 25,000 Lumens)
400 Watts (nominally 50,000 Lumens)
1,000 Watts (nominally 130,000 Lumens)

DISTRIBUTION
(Co.Pole) (Cust.Pole)

\$18.66	\$17.22
\$21.16	\$19.56
\$22.35	\$20.75
\$24.39	\$22.80
\$28.60	\$26.98
\$34.62	\$33.01
\$39.85	\$39.22

LIGHT-EMITTING DIODE LAMPS

35 Watts (nominally 3,300 Lumens)
53 Watts (nominally 5,000 Lumens)
87 Watts (nominally 8,300 Lumens)
163 Watts (nominally 15,800 Lumens)
215 Watts (nominally 20,000 Lumens)

DISTRIBUTION
(Co.Pole) (Cust.Pole)

\$30.74	\$29.24
\$31.51	\$30.01
\$32.53	\$31.03
\$35.40	\$33.90
\$37.12	\$35.62

The Energy Charges will apply to the customer if the customer receives Default Service. Refer to the Generation Supply Adjustment Procurement Class 2 for the appropriate charges.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Supply Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY, NON-BYPASSABLE TRANSMISSION CHARGE, CONSERVATION PROGRAM COSTS, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT APPLY TO THIS RATE.

Issued XXX X, XXXX

Effective January 1, 2016

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RATE POL PRIVATE OUTDOOR LIGHTING (continued)

GENERAL PROVISIONS.

1. Standard Lighting Unit. A Standard Lighting Unit shall be a Cobra Head or Floodlight comprised of a bracket, the lead wires and a luminaire, including lamp, reactor and control.

2. Standard Installations. In connection with the standard service provided herein, the Company will install, own and maintain all facilities within highway limits, and all standard service-supply lines and all Lighting Units. The customer will install, own and maintain all poles on the customer's property and all service extensions on the customer's property from the Company's standard service-supply lines.

Investment by the Company under standard conditions of supply will be limited to that warranted by three times the prospective revenue recovered through the Company's tariffed Variable Distribution Service Charge. Any additional investment will be assumed by the customer.

Standard supply to lighting installations will be from aerial wires, except that, at the option of the Company, in areas where its other distribution facilities are underground, supply may be underground.

For underground supply furnished at the request of the customer where aerial supply would be normal, the Company will assume the cost up to the amount it would normally have invested and the additional cost shall be assumed by the customer.

3. Non-Standard installations. The Company may offer non-standard lighting units and installations in addition to those listed above in the Monthly Rate Table. For customers requesting such service, there will be an additional charge, as specified in the customer's contract based on the incremental cost over that listed in the Monthly Rate Table.

4. Location and Authorization. Lighting Units shall be installed at locations and upon structures approved by the Company and in positions permitting servicing from a ladder truck. Customer construction shall meet the Company's standards which are based upon the National Electrical Code. The customer shall obtain and submit any permits or other authority requisite to the installation and operation of the Lighting Units served hereunder.

5. Service. Each lamp shall be controlled by a photoelectric cell which shall operate to energize the lamp during periods of darkness to de-energize it during other periods. The service shall include the supply of lamps and their renewal when burned out. Renewal of lamps will be made only during regular daytime working hours after notification by the customer of the necessity.

6. Outage Allowances. Written notice to the Company prior to 4:00 p.m. of the failure of any light to burn on the previous night shall entitle the customer to a pro rata reduction in the charges under this rate for the hours of failure if such failure continues for a period in excess of 24 hours after the notice is received. Allowances will not be made for outages resulting from riot, fire, storm, flood, interference by civil or military authorities, or any other cause beyond the Company's control.

7. Equipment Removal. If the customer requests that the Company remove or replace any existing street lighting installation, except incandescent lights, the Company will charge for removal or replacement of the street lighting installations and the associated poles and conductors used exclusively for the street lighting installation. The Company's charge will include the cost of removal or replacement plus the estimated remaining book value of the removed or replaced equipment less salvage.

8. Location, Authorization and Protection. The location of lamps to be supplied is to be approved by the properly designated authorized representative of the customer and the customer shall furnish any requisite authority for the erection and maintenance of poles, wires, luminaires and other equipment necessary to operate the lamps at the approved locations. The customer shall protect the Company from damage to the lighting system to the extent of their ability. At the expense of the customer, the Company will relocate a lamp to a new location after receiving a written request from the customer.

9. Customer Responsibility. The customer shall be solely responsible for determining the amount, location and sufficiency of illumination, including conducting all studies of luminosity, lighting location, and traffic.

TERM OF CONTRACT.
The initial contract term for each Lighting Unit shall be for at least three years.

PAYMENT TERMS.
Standard.

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PECO Energy Company

RATE SL-S STREET LIGHTING-SUBURBAN COUNTIES

AVAILABILITY.

Outdoor lighting of streets, highways, bridges, parks and similar places located in Suburban Counties.

ANNUAL RATE TABLE - MANUFACTURER'S RATING OF LAMP SIZES.

Incandescent Filament Lamps

Size of Lamp	Billing Watts	Distribution
320 Lumens	32	\$ 89.46
600 Lumens	58	\$126.58
1,000 Lumens	103	\$177.50
2,500 Lumens	202	\$245.04
6,000 Lumens	448	\$278.69
10,000 Lumens	690	\$337.48

Mercury Vapor Lamps

Size of Lamp	Billing Watts	Distribution
4,000 Lumens	115	\$209.45
8,000 Lumens	191	\$220.97
12,000 Lumens	275	\$235.37
20,000 Lumens	429	\$276.38
42,000 Lumens	768	\$394.04
59,000 Lumens	1,090	\$443.20

Service to the above listed Incandescent Filament Lamps and Mercury Vapor Lamps will not be available after January 1, 2016 to new Customers or existing customers for new or replacement luminaires. The Company will not replace defective or broken incandescent filament or mercury vapor luminaires, including ballasts. In such cases, the customer must take service under one of the current lighting unit options as set forth below.

High Pressure Sodium-Vapor Lamps

Size of Lamp	Billing Watts	Distribution
5,800 Lumens	94	\$207.98
9,500 Lumens	131	\$226.23
16,000 Lumens	192	\$254.19
25,000 Lumens	294	\$288.75
50,000 Lumens	450	\$344.02

Light-Emitting Diode

Size of Lamp	Billing Watts	Distribution
3,300 Lumens	35	\$368.88
5,000 Lumens	53	\$378.12
8300 Lumens	87	\$390.36
15,800 Lumens	163	\$424.80
20,000 Lumens	215	\$445.44

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment, Procurement Class 2.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT, APPLY TO THIS RATE.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

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RATE SL-S STREET LIGHTING-SUBURBAN COUNTIES (continued)

GENERAL PROVISIONS.

1. Service. The lighting service will be operated on an all-night, every-night lighting schedule of approximately 4,100 hours annual burning time (average monthly burning hours = 341.11 hours), under which lights are turned on after sunset and off before sunrise. It includes the supply of lamps and their removal when burned out or broken.

2. Outage Allowances. Written notice to the Company prior to 4:00 pm of the failure of any light to burn on the previous night shall entitle the customer to a pro rata reduction to the Company's monthly Variable Distribution Service charges. If the customer receives Default service, the outage allowance will also apply to the Energy & Capacity and Transmission Charges. The monthly bill will be adjusted, pro rate, for the hours of failure if such failure continues for a period in excess of 12 hours after the notice is received. Allowances will not be made for outages resulting from the customer's failure to protect the lighting system or from riot, fire, storm, flood, interference by civil or military authorities, or any other cause beyond the Company's control.

3. Lighting Installations. The prices in the Rate Table apply to all Company-approved installations for (a) federal, state, county and municipal authorities and community associations entering into a contract for lighting service; and (b) building operation developers for lighting, during the development period, of streets that are to be dedicated, where the municipality has approved the lighting and agreed to subsequently assume the charges for it under a standard contract.

Standard lighting installations under standard conditions of supply will be made on the public highways at the expense of the Company to the extent warranted by the revenue in prospect, any additional investment to be assumed by the customer.

Standard supply to lighting installations will be from aerial wires, except that, at the option of the Company, in areas where its other electric distribution facilities are underground, supply may be underground.

For underground supply furnished at the request of the Company where aerial supply would be normal, or for other than standard installations made at the request of the customer and of a type approved by the Company, the Company will assume the cost up to the amount it would normally have invested and the additional cost shall be assumed by the customer.

The installation cost of lighting on private property, or for contracts of less than standard term, shall be paid by the customer.

Title to all lighting installations of a type approved by the Company shall be vested in the Company and all necessary maintenance, repair and replacement of equipment in such installations will be made by the Company. Maintenance, repair and replacement of nonstandard equipment shall be at the expense of the customer.

4. Excess Costs. In cases where the remote location of the proposed new or additional lighting, or the number or spacing of the lamps, or the lack of necessary supply lines or any other reason makes the cost of installation excessive, such excess costs shall be assumed by the customer as mutually agreed.

5. Location, Authorization and Protection. The location of lamps to be supplied is to be approved by the properly designated authorized representative of the customer and the customer shall furnish any requisite authority for the erection and maintenance of poles, wires, luminaries and other equipment necessary to operate the lamps at the approved locations. The customer shall protect the Company from damage to the lighting system to the extent of the customer's ability. At the expense of the customer, the Company will relocate a lamp to a new location after receiving a written request from the customer.

6. Equipment Removal. If the customer requests that the Company remove or replace any existing street lighting installation, except incandescent lights, the Company will charge for removal or replacement of the street lighting installations and the associated poles and conducts used exclusively for the street lighting installation. The Company's charge will include the cost of removal or replacement plus the estimated remaining life value of the removed or replaced equipment less salvage.

7. Customer Responsibility. The customer shall be solely responsible for determining the amount, location and sufficiency of illumination, including conducting all studies of luminosity, lighting location, and traffic.

PAYMENT TERMS.

Bills will be rendered monthly. Each month, for the purpose of prorating the price, shall be considered 1/12 of a year.

TERM OF CONTRACT.

The initial contract term for each lighting installation shall be for at least three years.

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RATE SL-S STREET
LIGHTING-SUBURBAN COUNTIES
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RATE SCHEDULE STREET LIGHTING CUSTOMER OWNED FACILITIES

AVAILABILITY.

To any governmental agency for outdoor lighting provided for the safety and convenience of the public of streets, highways, bridges, parks or similar places, including directional highway signs at locations where other outdoor lighting service is established hereunder only if all of the utilization facilities, as defined in Terms and Conditions in this Base Rate, are installed, owned and maintained by a governmental agency.

This rate is also available to community associations of residential property owners both inside and outside the City of Philadelphia for the lighting of streets that are not dedicated. This rate is not available to commercial or industrial customers. All facilities and their installation shall be approved by the Company.

MONTHLY RATE TABLE.

SERVICE LOCATION DISTRIBUTION CHARGE: \$7.08 per Service Location (as defined below)
VARIABLE DISTRIBUTION CHARGE: \$0.00933 per kWh

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2.

- The service location charge includes an Energy Efficiency Program Surcharge of \$0.22 per location

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT APPLY TO THIS RATE.

SERVICE LOCATION.

A Service Location shall comprise each lighting installation and must be separately connected to a delivery point on the Company's secondary circuit.

DETERMINATION OF BILLING DEMAND.

The wattage, expressed to the nearest tenth of a watt, of a Service Location shall be composed of manufacturer's rating of its lamps, ballasts, transformers, individual controls and other load components required for its operation. The aggregate of wattages of all Service Locations in service shall constitute the billing demand for the month.

DETERMINATION OF ENERGY BILLED.

The energy use for a month of a Service Location shall be computed to the nearest kilowatt hour as the product of one thousandth of its wattage and the effective hours of use of such wattage during the calendar month under the established operation schedules as set forth under Terms and Conditions, Paragraph 6 Service. The aggregate of the kilowatt hours thus computed for all Active Service Locations shall constitute the energy billed for the month.

TERMS AND CONDITIONS.

1. Ownership of Utilization Facilities.

a. Service Locations Supplied from Aerial Circuits: customer shall provide, own and maintain the Utilization Facilities comprising the brackets, hangers, luminaries, lamps, ballasts, transformers, individual controls, conductors, molding and supporting insulators between the lamp receptacles and line wires of the Company's distribution facilities and any other components as required for the operation of each Service Location.

The Company shall provide the supporting pole or post for such aerially supplied Service Location and will issue authorization to permit the customer to install thereon the said Utilization Facilities.

b. Service Locations Supplied from Underground Circuits: customer shall provide, own and maintain the Utilization Facilities comprising the supporting pole or post, foundation with 90 degree pipe bend, brackets or hangers, luminaries, lamps, ballasts, transformers, individual controls, conductors and conduits from the lamp receptacles to sidewalk level, or in special cases, such as Federally and State financed limited access highways, to a delivery point designated by the Company on its secondary voltage circuit, and shall assume all costs of installing such utilization facilities.

Except as provided in Paragraph 4 Supply Facilities, the Company shall own conduit from the distribution circuit to the 90 degree pipe bend, shall own conductors from its distribution system to the designated delivery point and shall provide sufficient length of conductors for splicing at the designated delivery point or in the post base where sidewalk level access is provided.

c. Service to Group of Streetlights:

AERIAL SUPPLY

When the customer requests service to a group of streetlights supplied from aerial distribution facilities, the customer is responsible for providing the support poles or posts for the streetlights. The Company will provide a service, nominally 100 feet, to the customer's first supporting structure. The customer is responsible for installing supply conductors from the first supporting structure to all streetlight locations.

UNDERGROUND SUPPLY

When groups of streetlights are supplied from underground distribution facilities, the customer is responsible for the supporting poles or posts and the supply conductors to each streetlight from the designated delivery point. If the customer requests an underground supply to a group of streetlights and the designated delivery point is a secondary terminal pole, the customer will install, own, maintain all cable, including the cable on the pole.

2. Standards of Construction for Utilization Facilities. Customer construction shall meet the Company's standards which are based upon the National Electrical Safety Code. Designs of proposed construction deviating from such standards shall be submitted to the Company for approval before proceeding with any work.

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PECO Energy Company

RATE TLCL TRAFFIC LIGHTING CONSTANT LOAD SERVICE

AVAILABILITY.

- To any municipality using the Company's standard service for (a) electric traffic signal lights installed, owned and maintained by the municipality, and/or (b) unmetered traffic control cameras or other small constant load electronic devices with a demand of less than 1.2 kW, owned and maintained by the municipality.
- To any non-municipal non-residential customer using the Company's standard service for unmetered small constant load electronic devices with a demand of less than 1.2 kW, owned and maintained by the non-municipal customer, which are electrically separate from any other facilities, whether municipally-owned or non-municipally-owned, that are receiving service from PECO as a separate account.
- To any non-municipal non-residential customer using the Company's standard service for unmetered small constant load electronic devices with a demand of less than 1.2 kW, owned and maintained by the non-municipal customer, which are electrically integrated with any other facilities, whether municipally-owned or non-municipally-owned, that are receiving service from PECO as a separate account, but only if the non-municipal customer meets the conditions of the Special Termination Rights provision of this Rate.

CURRENT CHARACTERISTICS.

Standard single phase secondary service.

RATE TABLE.

SERVICE LOCATION CHARGE: \$3.37 PER LOCATION

VARIABLE DISTRIBUTION SERVICE CHARGE: \$0.01837 per kWh (as defined below)

*The Variable Distribution charge includes an Energy Efficiency Program Surcharge of \$0.0030 per kWh

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY, NON-BYPASSABLE TRANSMISSION CHARGE, CONSERVATION PROGRAM COSTS, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT APPLY TO THIS RATE.

SPECIAL RULES AND REGULATIONS.

The use of energy will be estimated by the Company on the basis of the size of lamps and controlling apparatus and the burning hours. The customer shall immediately notify the Company whenever any change is made in the equipment or the burning hours or constant load devices, so that the Company may forthwith revise its estimate of the energy used.

The Company shall not be liable for damage to person or property arising, accruing or resulting from the attachment of the signal equipment to its poles, wires, or fixtures. The customer shall be responsible to determine the amount, location and sufficiency of illumination, including conducting all studies of luminosity, lighting location, and traffic.

SPECIAL TERMINATION RIGHTS

Some facilities that receive service under Rate TLCL may be electrically configured such that it is not possible to terminate service to the Rate TLCL facility without also terminating service to a facility that is receiving service under a separate account, Rate or Rider. In the event of non-payment of bills for service to such a Rate TLCL facility, PECO will provide a termination notice to the customer. The customer may then, at its discretion, notify PECO that it intends to engage in self-termination by removing its facilities from the PECO system within 30 days. If the customer has not removed its facilities within 30 days, then PECO may, at its sole discretion and upon 72-hour notice, physically remove the customer facility as a means of terminating service to that facility. Taking service under Rate TLCL constitutes full customer permission for PECO to engage in such removals. Notwithstanding any removal of such facilities by either the customer of PECO, the customer shall remain fully obligated to PECO for payment of all charges incurred under Rate TLCL. In addition, the customer shall pay to PECO its full cost of removing the facilities, including direct and indirect labor costs, use of truck or other equipment, fuel costs, and costs of storing the customer equipment, all at PECO's normal rates for such work at such time as it may perform such removals. PECO shall not be liable for damage, if any, to the customer equipment that occurs during removal or storage.

TERM OF CONTRACT.

The initial contract term for each signal light installation and constant load device shall be for at least one year.

PAYMENT TERMS.

Standard.

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PECO Energy Company

RATE BLI BORDERLINE INTERCHANGE SERVICE

AVAILABILITY.

Electric service supplied under reciprocal agreements, to neighboring electric utilities for resale in their adjacent territory at delivery points where the Company in its judgment can provide capacity in excess of the requirements of present and prospective customers in its own territory and for periods fixed by contract and terminable after the expiration of the initial term if capacity is no longer available.

CURRENT CHARACTERISTICS.

Standard primary or secondary service.

MONTHLY RATE TABLE.

INVESTMENT CHARGE:

An amount equal to 1% per month on the additional investment in facilities required to deliver and meter the service supplied.

BORDERLINE INTERCHANGE SERVICE CHARGE:

\$0.1486 per kWh.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, THE ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS APPLY TO THIS RATE.

MEASUREMENT.

The energy delivered may be metered or may be estimated from the purchaser's resales plus an agreed-upon correction to cover transformation and distribution losses.

TERM OF CONTRACT.

The initial contract term shall be for at least five years, and thereafter from year to year until terminated by 60 days' notice from either party.

PAYMENT TERMS.

Payment of amounts billed shall be made within 15 days from date of bill.

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Effective January 1, 2016

PECO Energy Company

Tariff Electric Pa. P.U.C. No. 5
Original Page No. 63

RATE AL - ALLEY LIGHTING IN CITY OF PHILADELPHIA

APPLICABILITY. To multiple, unmetered lighting service supplied the City of Philadelphia to operate lamps and appurtenances for all night outdoor lighting of alleys and courts that are installed, owned and maintained by the City, which assumes the cost involved in making the connections to the Company's facilities. This rate shall no longer be available to new lighting installations effective January 1, 2011.

LIGHTING DISTRIBUTION SERVICE DEFINED. All night outdoor lighting of alleys and courts by lights installed on poles or supports supplied by the City.

NOTICE TO COMPANY. The City shall give advance notice to the Company of all proposed new installations or of the replacement, removal or reconstruction of existing installations. The City shall advise the Company as to each new installation or change in the equipment or connected load of an existing installation, including any change in burning hours and the date on which such new or changed operation took effect.

MONTHLY RATE TABLE

SERVICE LOCATION CHARGE:

\$2.10 Per Location (as defined below)*.

*The service location charge includes an Energy Efficiency Program Surcharge of \$0.07.

ENERGY SUPPLY CHARGE: Refer to the Generation Supply Adjustment Procurement Class 2.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: The Transmission Service Charge shall apply.

STATE TAX ADJUSTMENT CLAUSE, PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, NON-BYPASSABLE TRANSMISSION CHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND NUCLEAR DECOMMISSIONING COST ADJUSTMENT CLAUSE APPLY TO THIS RATE.

PLAN OF MONTHLY BILLING

Bills may be rendered in equal monthly installments, computed from the calculated annual use of energy, adjusted each month to give effect to any new or changed rate of annual use, by reason of changes in the City's installation, with charge or credit for fractional parts of the month during which a change occurred.

LIABILITY PROVISION

The Company shall not be liable for damage, or for claims for damage, to persons or property, arising, accruing or resulting from, installation, location or use of lamps, wires, fixtures and appurtenances; or resulting from failure of any light, or lights, to burn for any cause whatsoever.

The customer shall be responsible to determine the amount, location and sufficiency of illumination, including conducting all studies of luminosity, lighting location, and traffic.

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PECO Energy Company

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Original Page No. 63
RATE EP ELECTRIC PROPULSION
AVAILABILITY

This rate is available only to the National Rail Passenger Corporation (AMTRAK) and to the Southeastern Pennsylvania Transportation Authority (SEPTA) for untransformed service from the Company's standard high tension lines, where the customer installs, owns, and maintains any transforming, switching and other receiving equipment required and where the service is provided for the operation of

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APPLICABILITY INDEX OF RIDERS
Introductory Statement

Customers under different rates of this Tariff frequently desire services or present situations and conditions of supply which require special supply terms, charges or guarantees or which warrant modification of the amount or method of charge from the prices set forth in the Base Rate under which they are provided service. Modifications for such conditions are defined by rider provisions included as a part of this Tariff. Riders may be employed when applicable, with or without signed agreement between the customer and the Company as the case may require, notwithstanding anything to the contrary contained in the Base Rate to which the rider is applied.

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Riders	Page No.	R	RH	RS	GS	PD	HT	POL	SL-S	SL-E	EP	BLI	AL
Capacity Reservation Rider	65-67			X	X	X	X				X		
CAP Rider	68-69	X	X										
Casualty	70			X	X	X	X				X		
Commercial/Industrial Direct Load Control Program Rider	71-72												
Construction	73					X	X				X		
Economic Development	74-75				X	X	X						
Emergency Energy Conservation	76						X				X		
Investment Return Guarantee	77				X	X	X						
Night Service GS	78				X								
Night Service HT	79						X				X		
Night Service PD	80					X							
Receivership Rider	81				X	X	X	X	X	X	X		X
Residential Direct Load Control Rider	82-84	X	X	X									
Temporary Service	85	X	X	X	X	X	X						

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PILOT CAPACITY RESERVATION RIDER (CRR)

PURPOSE.

This Rider sets forth the eligibility, terms and conditions applicable to Customers who operate generation in parallel to the Company distribution system and who need to reserve electric capacity to serve their load when the customer generator is offline. The CRR shall not apply to customer generating facilities that are online prior to January 1, 2016.

This Rider also sets for the eligibility, terms and conditions applicable to Customers who want to reserve capacity in excess of their present demand from the PECO distribution system for new business growth or expansion.

APPLICABILITY/AVAILABILITY.

Applicable to customers, including but not limited to Qualifying Facilities or Small Power Producers and cogenerators as defined in the Public Utility Regulatory Policies Act, whose electrical requirements are partially or wholly provided by facilities not owned by the Company and when such facilities operate in parallel with the Company's distribution system. All such customers will be supplied under the provisions of this rider, the customer's applicable Base Rate, and other applicable riders.

Customers who wish to reserve available electrical capacity in excess of their present usage for new business growth or expansion may do so under this rider.

NOTICE BEFORE COMMENCEMENT OF CRR SERVICE.

The customer shall not commence initial operation of any other source of supply in parallel with the Company's distribution or transmission lines until written permission is given by the Company for such parallel operation. Such written permission shall include a statement of the amount of capacity reserved for the customer under this CRR. Before a customer is placed on the CRR, the Company must provide written notice to the customer informing the customer that, upon receiving service under the CRR, capacity beyond the amount of capacity reserved under the CRR may not be available to serve the customer. The Company shall have the right to inspect the customer's installation prior to providing such written permission, and at any reasonable time thereafter in accordance with Tariff Rule 9.3.

AMOUNT OF CAPACITY RESERVED.

The maximum firm capacity available to be reserved will be determined by the Company based upon its review of capacity available on its system at the time that a request for capacity reservation is made.

Batteries and other electrical storage shall not be deemed to be generators for purpose of the CRR, and the capacity or nameplate of storage or battery equipment shall not be used in calculating the CRR.

Any customer, regardless of size of load or generation, may initiate negotiation to set the CRR at a level other than the levels designated below.

For customers generating in parallel and who have generator capacity of greater than 100 kW and less than 5,000 kW, the amount of capacity reserved for that customer will be 60% of the generator nameplate rating.

For customers generating in parallel and who have generator capacity of greater than 5,000 kW and less than 10,000 kW, the amount of capacity reserved for that customer will be 50% of the generator nameplate rating.

For customers generating in parallel who have generator capacity in excess of 10,000 kW, the amount of capacity reserved for that customer will be determined by negotiation, with the amount of reserved capacity in an amount that the Company and customer agree accurately reflects the customer's peak potential demand on the Company's distribution system.

For customers who want to reserve capacity for new business growth or expansion, the amount of capacity reserved for that customer will be determined by negotiation.

In all cases, if the requested electric capacity is not available the customer shall pay all cost to the Company of any construction necessary to meet the customer's requested reserved capacity.

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AUXILIARY SERVICE RIDER¶
APPLICABILITY. To customers,
including but not limited to, Qualifying
Facilities or Small Power Producers
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cogenerators as defined in the Public
Utility Regulatory Policies Act, whose
electrical requirements are partially or
wholly provided by facilities not
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NEGOTIATIONS.

If the amount of reserved capacity is set through negotiations, the following will apply:

The customer and PECO will meet to discuss customer operations. After such discussions, the customer may designate a CRR level other than as set forth above, but not lower than 40% of the customer's peak demand for load behind its meter, based upon one or more of the following factors:

1. Parasitic Load: The power consumed by the equipment supporting the operation of a customer's generation shall be removed.
2. Operational Flexibility in Operation of Generation: The customer may state that it will operate its generation in a manner such that PECO will not need to keep capacity available to serve some portion of the customer's "covered" load.
3. Ability to Shed Load: The customer may state that, in the event that its generator goes offline or is not operating to full capacity, it will shed native load to offset some or all of the loss of generation.

If PECO accepts the customer's designated level of reserved capacity, then the amount of capacity reserved shall be the customer-designated level.

If PECO does not accept the customer's designated level of reserved capacity, then PECO may challenge the reasonableness of any such designation by filing a complaint with the PUC (to be referred to the Office of Mediation). Pending resolution of the complaint the CRR shall be set at:

- For customer designations based upon Parasitic Load, Operational Flexibility, or both, the CRR will be set at the customer-designated level, subject to retrospective revision upon completion of the mediation/litigation.
- For customer designations based in whole or part on Ability to Shed Load, the CRR will be set at a PECO-designated level, subject to retrospective revision upon completion of the mediation/litigation

PROCEDURES TO CONFIRM MODE OF CUSTOMER GENERATION OPERATION.

If a customer's CRR is set by negotiation based upon Parasitic Load or Operational Flexibility of Generation, or both, then:

- The customer shall inform PECO in writing if its generation operations differ materially from the mode of operations used to set the CRR limit;
- The customer shall verify to PECO once each calendar year that its generator operations in the prior year did not differ materially from the mode of operations used to set the CRR limit; and
- PECO shall have the right to conduct an audit of customer operations to determine whether generator operations differed materially from the mode of operations used to set the CRR limit.

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NOTICE OF OPERATION CONTRARY TO A NEGOTIATED CRR LIMIT AND RESET PROVISION.

If, in its determination, PECO believes that a customer has operated its distributed generation units in a manner contrary to the mode of operations used to set the CRR limit, PECO may issue a written violation notice to the customer. PECO will rescind a violation notice if, within 30 calendar days of receiving the violation notice, a customer furnishes evidence showing that it operated its distributed generation units consistent with the mode of operations used to set the CRR during the period in question. If PECO is not satisfied that the information provided by the customer demonstrates that it operated its distributed generation units consistent with the mode operations used to set the CRR, PECO may file a complaint with the Commission and the Commission's determination shall prevail on whether the notice of violation will be deemed to be confirmed. If a customer does not furnish such evidence within 30 calendar days of receiving the violation notice, the violation notice is confirmed.

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If a customer receives two confirmed violation notices within a 24-month period; the customer's going-forward CRR for the next 12 months shall be set at a level based upon the actual operations that led to the violation notice. Thereafter, the CRR may be reset to a lower level only upon the customer demonstrating that it has made material changes to its mode of operations to allow it to operate in the then-described manner.

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PENALTY AND RESET FOR FAILURE TO SHED LOAD.

For customers with a CRR level that was set in whole or part based upon Ability to Shed Load, the following penalty and reset provisions shall apply:

- Penalty: If the customer's generator goes offline and the customer does not shed load as agreed upon the customer will be assessed a "burn-through penalty" calculated by determining the amount of load that the customer agreed to shed, but did not shed, and applying a penalty charge equal to 125% of the full demand charge in the prevailing rate to that amount of load on the first such occurrence, and 150% of the full demand charge in the prevailing rate to that amount of load for the second and subsequent occurrences, for the month in which the load shedding did not occur.
- Reset: The customer's going-forward CRR for the next 12 months shall be set at a level based upon the actual operations that occurred during the failure to shed load. Alternatively, the customer can opt to pay PECO for the actual cost of the required upgrades to PECO's distribution facilities to allow the customer to use delivery service at the higher operating level during outages in accordance with PECO's line extension policy. Thereafter, the CRR may be reset to a lower level only upon the customer demonstrating that it has made material changes to its mode of operations to allow it to operate in the then-described manner.

TEMPORARY DISCONNECTION OF CUSTOMER SERVICE.

PECO shall have the right to temporarily disconnect the customer on an emergency basis if, in PECO's opinion, the customer's failure to shed load as agreed creates a risk to PECO's distribution system or service to other customers.

BINDING LEGAL DUTY.

A CRR customer whose CRR is set at a negotiated level based in whole or part upon the customer's representation that it has an Ability to Shed Load will be deemed to have a binding legal duty to shed such load.

RATE AND BILLING.

The following billing provisions apply to this rider in conjunction with service under applicable Rate GS, HT, PD, and EP. Customers will be billed monthly the contracted reserved demand amount plus actual electric demand and usage.

No customer who reserves capacity due to parallel generation will pay more demand charges greater than the actual load behind its meter. Customers who reserve capacity for business growth or expansion will pay the reserved CRR amount even though it exceeds their current actual load behind the meter.

MINIMUM CHARGE.

The monthly minimum charge provisions apply to this rider in conjunction with service under applicable Rates GS, HT, PD, and EP. The monthly minimum demand charge will be the greater of:

1. The demand as registered by the customer's meter;
2. An amount equal to the CRR level determined as set forth above, plus 40% of any load behind the meter that is not covered by the CRR; or
3. Any designated contract minimum.

The monthly minimum customer charge will be determined by reference to the underlying prevailing rate.

TERM OF CONTRACT.

The term of a CRR contract shall be three years for all non-negotiated CRR applications. For negotiated CRR levels, the contract term shall be negotiated. There is no right to automatic renewal of a CRR; upon the expiration of the contract term, the Company will review available capacity on its system and, if such capacity is available, the parties will enter into a new CRR using the procedures set forth above.

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AUXILIARY SERVICE RIDER
(continued)¶

¶
(C)¶

STATE TAX ADJUSTMENT CLAUSE
APPLIES TO THIS RIDER. ¶

¶
BILLING. Bills rendered to the customer shall distinguish between the customer's use of Supplementary Power, Back-Up Power and Maintenance Power. In the event that the customer receives two or more types of supply during the billing period, the billing characteristics shall be determined as follows:¶

¶
(a) . the billing demand will be the maximum measured demand, adjusted for power factor in accordance with the Rules and Regulations, occurring during any unscheduled outage period of the month less the Supplementary Power billing demand; less the Scheduled Maintenance Power Capacity for the month if one or both of these additional services are provided at the time of maximum measured demand.¶

¶
(b) . the energy use billed as Back-Up and/or Maintenance Power shall be one-half of the sum of the Back-Up and/or Maintenance half-hour demands;¶

¶
(c) . the total energy use, less the energy use determined in (b) (... [530]

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Customer Assistance Program (CAP) Rider

AVAILABILITY

To payment-troubled customers who are currently served under or otherwise qualify for Rate R, or RH (excluding multiple dwelling unit buildings consisting of two to five dwelling units). Customers must apply for the rates contained in this rider and must demonstrate annual household gross income at or below 150% of the Federal Poverty guidelines. In addition, these customers will not be able to obtain Competitive Energy Supply.

Based on the applicable level of income and other criteria, the following CAP Rate categories (A through E1) apply:

CAP A - PECO Cares Program: Customers with annual household gross incomes at or below 25% of the Federal poverty income guidelines with documented extenuating circumstances will be eligible for CAP A which provides for Residential Rate R customers a nominal bundled rate of \$12/month for all usage up to 1,000 KWH; for usage above 1,000 KWH the CAP D rate structure will apply. For Residential Heating customers Rate RH, CAP A provides a nominal bundled rate of \$30/month for all usage up to 2,000 KWH in the Winter¹/1,000 KWH in the Summer¹; for usage above 2,000/1,000 KWH the CAP D rate structure will apply.

Extenuating circumstances shall include those individuals who demonstrate an inability to pay the billed rate of CAP B as a result of unique circumstances such as:

- Health related matters:
 - o Injury or illness
 - o High medical bills
 - o Medically related usage
 - o Death in the family
- Sudden loss of employment
- Households that include at risk individuals such as:
 - o Children below 8 years of age
 - o Disabled persons
 - o Infirm elderly
- Inability to maintain at least two CAP B payment arrangements
- High usage related to shelter conditions which are not treatable by LIURP

¹ Winter refers to the 9 months (October – June); Summer refers to the 3 peak usage summer months (July-September).

Program Provisions: The CAP A Rate is limited to 7,500 customers and these customers will be re-certified annually. CAP A customers will be targeted to receive LIURP treatments; and they will be assigned to a PECO Cares Representative to maximize the assistance available to them. In addition, these customers will not be able to obtain Competitive Energy Supply.

Rate R	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
Federal Poverty Income Rate	<=25%	26-50%	51-75%	76-100%	101-125%	126-150%
Discount	92%	85%	69%	63%	39%	27%
Max Discount Amount Winter Bill						
650 kWh	\$xx.xx	\$xx.xx	\$xx.xx	\$xx.xx	\$xx.xx	\$xx.xx
Max Discount Amount Jul - Sept						
750 kWh	\$xxx.xx	\$xx.xx	N/A	N/A	N/A	N/A
Max Discount Amount Jun - Sept						
650 kWh	N/A	N/A	\$xx.xx	\$xx.xx	\$xx.xx	\$xx.xx
Max Discount Amount June						
650 kWh	\$xx.xx	\$xx.xx	N/A	N/A	N/A	N/A
Monthly Minimum Bill	\$xx.xx	N/A	N/A	N/A	N/A	N/A
Must be on Budget Billing	Yes	Yes	No	No	No	No

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Customer Assistance Program (CAP) Rider (continued)

Rate RH	CAP B	CAP C	CAP D	CAP D1	CAP E	CAP E1
Federal Poverty Income Rate	<=25%	26-50%	51-75%	76-100%	101-125%	126-150%
Discount	89%	74%	47%	32%	0%	0%
Max Discount Amount Oct & May 650 kWh	\$ xx.xx	\$ xx.xx	\$ xx.xx	\$ xx.xx	\$0.00	\$0.00
Max Discount Amount Nov - Apr 1500 kWh	\$ xxx.xx	\$ xxx.xx	\$ xx.xx	\$ xx.xx	\$0.00	\$0.00
Max Discount Amount Jul - Sept 750 kWh	\$ xxx.xx	\$ xx.xx	N/A	N/A	N/A	N/A
Max Discount Amount Jun - Sept 650 kWh	N/A	N/A	\$ xx.xx	\$ xx.xx	\$0.00	\$0.00
Max Discount Amount June 650 kWh	\$ xx.xx	\$ xx.xx	N/A	N/A	N/A	N/A
Monthly Minimum Bill Oct - June	\$ xx.xx	N/A	N/A	N/A	N/A	N/A
Must be on Budget Billing	Yes	Yes	No	No	No	No

DISCOUNT LEVELS. The Company shall be required to modify the level of discounts set forth as part of its annual USFC filing. If the calculated discounts result in a discount greater than the level allowed by the Commission, the discount for each class will be scaled back on a prorata basis such that the total cost does not exceed the allowed level. The Company will update the maximum discounts for all CAP tiers in conjunction with the quarterly Generation Supply Adjustment filing.

CERTIFICATION/VERIFICATION. Prior to enrollment in the CAP Rider, and then again every two years, customers must verify, to PECO's satisfaction, that their household income level meets the "Availability" standards set forth in this Rider. Customers being considered for the CAP Rider will be required to:

- Provide information sufficient to demonstrate to PECO their household income level.
- Waive certain privacy rights to enable PECO to effectively conduct the above certification process.
- Apply for and assign to PECO at least one energy assistance grant from the Commonwealth.
- Participate in various energy education and conservation programs facilitated by PECO.

PECO may, at its sole discretion, supplement this verification process by using data from Commonwealth or federal government programs which demonstrate the income eligibility of its customers. Such data may come from a customer's participation in, or receipt of benefits from, the Low Income Home Energy Assistance Program, Temporary Assistance for Needy Families, Food Stamps, Supplemental Security Income, and Medicaid. Information available from the Pennsylvania Department of Revenue may also be used where appropriate to expedite the process.

MINIMUM CHARGE. The minimum charge per month will be the fixed distribution charge for all customers unless otherwise noted.

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CASUALTY RIDER

AVAILABILITY/APPLICABILITY

To service provided during a period when a customer is prevented for a length of time in excess of 48 hours from using all or a substantial part of the amount contracted for by reason of strike, riot, fire, storm, flood, drought, interference by civil or military authorities, or any other cause beyond the customer's control ("Period of Interruption").

NOTICE REQUIRED

Written request shall be made to the Company for the application of this rider with advice as to the extent of the interruption, its date, cause and probable duration. Written requests must be submitted to the Company within 30 calendar days after the end of the Period of interruption.

RATE IMPACT

During Periods of Interruption, PECO Energy will not apply guarantees of revenue (power factor adjustment, minimum billing demand, and contract minimum) as contained in the customer's Contract, but will apply the actual registered demand. If the customer receives Default Service, the terms of this rider shall not apply to the Energy Supply Charge.

BILLS PRORATED

Bills supplied shall be prorated, based upon the actual level of operation during the Period of Interruption.

RETURN TO NORMAL USE

The customer shall use reasonable diligence in resuming the use of service as provided in the Contract.

TERM OF CONTRACT

The initial contract term shall be extended for a period equal to the Period of Interruption so that the Company shall secure a working term at full connected load equal to the term of the Contract.

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COMMERCIAL/INDUSTRIAL DIRECT LOAD CONTROL PROGRAM (DLC) RIDER

AVAILABILITY

This rider is available to any small commercial or industrial retail customer with peak measured demands less than or equal to 100kW served under rates GS, PD, or HT that (a) is the owner of the premises at which service hereunder is to be provided; (b) is provided with electric service at such premises through a separate meter; (c) has a fully functional electric central air conditioning system(s) as the principal and dedicated source of air conditioning for such premises, the electric service for which is delivered by the Company through such separate meter and is (are) capable of accepting a programmable communicating thermostat(s) (PCT), as determined by the Company or its agent; (d) allows the Company to periodically control the PCT(s); and(e) is located at a premises where the Company's control signal can reach the connected unit.

For determining the initial eligibility of existing small commercial/industrial retail customers under this rider, the peak measured demand level will be calculated by a process similar to that as described in PECO's Default Service Program pursuant to Docket No. P-2008-2062739. For new customers, the peak measured demand level shall be based upon an engineering estimate of their diversified peak demand for a new facility or an existing facility with a substantially different use. A new customer in an existing facility shall be assigned the same peak measured demand level as the last customer in that facility.

Service hereunder is not restricted to commercial/industrial customers that obtain electric power and energy supply from the Company under Default Service.

Notwithstanding the previous provisions of this Availability section, the availability of this rider is limited by the ability of the Company and its agent to purchase and install the necessary controls needed to implement and administer the Commercial and Industrial Direct Load Control program (DLCP).

PROGRAM PROVISIONS

The (DLCP) allows the Company to obtain temporary reductions in the electric power and energy demands on the electric delivery system located in its service territory through reductions in the commercial/industrial customers' electric power and energy usage requirements. The Company reserves the right to activate the DLCP for any reason, including (a) response to shortages of available capacity on the Company's distribution system; (b) response to shortages of available capacity on the transmission system located in the Company's service territory; (c) preservation of the availability of other load response resources; or (d) reduction of peak load. A commercial/industrial customer to which this rider is available that elects service hereunder is defined as a participant. An activation of the (DLCP) is defined as an event.

During an event, a participant in the (DLCP) allows the Company to remotely control the PCT(s). The Company is allowed to exercise such control without notice at any time. Control events will be limited to the period beginning June 1 and extending through September 30 of each year, except holidays.

EVENT PERFORMANCE

During an event the Company is allowed to control the participant's PCT(s) for the total duration of the event.

A participant commences service hereunder on the date the Company inspects and approves the functionality of the participant's central air conditioning unit(s) and installs the programmable communicating thermostat(s).

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COMMERCIAL/INDUSTRIAL DIRECT LOAD CONTROL PROGRAM (DLC) RIDER (continued)

INSTALLATION

The PCT(s) is (are) an enabling technology necessary to participate in the (DLC). The PCT(s) will be installed by the Company at its' sole expense (not to exceed the scope necessary to remove the old thermostat(s), and install the new PCT(s)). The Company will warrant the PCT(s) and installation for a period of one year from the date of original installation. After such time, the customer is responsible for any maintenance of the device and battery replacement, when (if required) to ensure the unit continues to operate. The participant is responsible for maintaining a safe operating environment for such device(s).

TESTING & VERIFICATION

The Company is allowed to inspect the PCT(s) at any time during normal business hours and without notice to insure such device(s) is (are) fully operational, and the participant grants the Company permission to enter upon its premises to conduct such inspections. If, in the course of such inspection, the Company determines that the participant interfered with the functionality of the device(s) in any way, (a) the participant is immediately removed from the (DLC) and service hereunder is terminated, with such termination effective as of the date of the installation of such device(s) or of the most recent passing inspection, whichever is more recent; (b) all credits previously given to such participant since such effective termination date are immediately reimbursed by such participant to the Company; and (c) such participant is not eligible to take service hereunder or participate in the (DLC) for a period of not less three (3) calendar years following such effective termination date.

For a situation in which the Company performs excessive maintenance or replacement of any remote control device(s) due to vandalism or other cause, the Company may remove the participant for which such device(s) is (are) provided from the (DLC) and terminate service hereunder to such participant. In such situation, the Company may deny future participation in the (DLC) to such participant.

COMPENSATION

The Company provides a credit to the participant on each bill issued for the Summer Period (June through September for a total of 4 monthly credits), as defined in the Definitions part of the General Terms and Conditions of the Company's Schedule of Rates. The credit applied to such participant's bill corresponds with the Program option selected by such participant.

Programmable Communicating Thermostat Option: \$20.00 per bill per installed device for the summer billing period

The participant shall begin receiving the bill credit on the next appropriate bill cycle following a complete enrollment in the program. The total annual credit shall not exceed \$80.00 per PCT installed. Consistent with the terms in this tariff, incentives will be paid through October 31, 2016.

The credit provided in accordance with this rider is separately stated on the participant's bill.

MISCELLANEOUS GENERAL PROVISIONS

The Company is not liable for any damage or injury, including any consequential damage, resulting from the intentional or unintentional interruption of the operation of the participant's central air conditioning unit.

Provisions contained in this rider do not serve to modify the Company's rights contained in the General Terms and Conditions of the Company's Schedule of Rates.

TERMS OF CONTRACT

The initial term of participation within this program shall end on May 31, 2016, but extended participation is possible, but predicated on future regulatory directives as yet to be determined. As Company is providing the enabling technology device, PCT(s), for participation, there is an early termination provision (upon thirty days' written notice by either party). The Company reserves the right to modify the terms of this Rider at any time. Participants who have elected to terminate, can return to the program, but must wait 12 months before being permitted to do so.

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CONSTRUCTION RIDER

AVAILABILITY/APPLICABILITY

To service provided during or immediately following a major construction or expansion period or during a receding load period, after the expiration of the initial contract term, while a business is in process of dissolution. A major construction or expansion period is defined as a construction or expansion project undertaken by the customer which upon completion will require an upward modification of the customer's contract limits.

RATE IMPACT

During the expanding load period preceding the operation within the load limits provided in the contract or the receding load period subsequent to the fulfillment of the initial contract term, PECO Energy will not apply the following guarantees of revenue: power factor adjustment, minimum billing demand, and contract minimum. If the customer receives Default Service, the terms of this rider shall not apply to the Energy Supply Charge.

RIDER TERM

The total term of application of this rider during the preliminary or construction period shall be 6 months subject to the option of the Company to grant not more than three successive renewals of the rider term on major construction projects. Its application during a receding load period subsequent to the completion of an initial contract term shall be for not more than one year.

TERM OF CONTRACT

The initial contract term for service to expanding locations to which this rider is applied shall be extended for a period corresponding to the total number of months this rider is applied to the customer's bill during construction or expansion of the customer's facility.

OTHER RIDERS

This rider, when applied to service to temporary installations to which the Temporary Service Rider is also applied, shall not operate as a waiver of the requirement that monthly minimum charges be paid for a period of not less than 6 months.

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ECONOMIC DEVELOPMENT RIDER

AVAILABILITY/APPLICABILITY. This rider is available to customers taking distribution service under Rate HT, PD, or GS. For new services, the customer must have a projected load of at least 350 kW and must apply for the rider prior to the service being energized. For existing services, the customer must have a peak load of at least 350 kW and apply for the rider before the load growth occurs. The Company will not begin to apply the rider until at least 30 days after the customer provides to the Company written notice of its desire to be placed on the rider. Customers can qualify for this rider through provisions of either I-A, I-B, IC; or II below. This Rider shall be available to customers regardless of whether the energy is purchased under default service rates or through an EGS.

I. **EMPLOYMENT & LOAD GROWTH:** designed to encourage growth in all sectors of the industrial and commercial group, customers can qualify by meeting the appropriate requirements below.

A. QUALIFICATIONS.

1. Manufacturing Customers

- a. The New Manufacturing Customer or existing manufacturing customer files with the Company, before the effective date of the rider for the Service Location, a Manufacturing Sales Tax Exemption Certificate, as defined below, for the Service Location. This condition is waived for Stevedoring Operations located within a Port Enterprise Development Area as defined in Title 12, Chapter 121 of the Pennsylvania Code.
- b. The existing manufacturing customer files with the Company copies of the Base Period Employment Reports as defined below, for the Service Location.
- c. For existing locations has already demonstrated a minimum 10 new jobs and a sustained increase in usage (minimum of 100 kW for at least 3 months) over the Base Period, as defined below. The Company reserves the right to request documentation to demonstrate that employment levels have been maintained over the course of eligibility for this rider.

2. Brownfield Redevelopment

- a. A new or existing customer who develops a site designated as a Brownfield Site (defined below) and demonstrates a minimum of 100 kW of new or incremental load.

B. RATE REDUCTION. The rate reduction will be applicable to the customer's base bill for the Qualifying Service Location before the application of the State Tax Adjustment and Nuclear Decommissioning Cost Adjustment. Any customer will not be eligible for the rate reduction in any month in which the customer has an unpaid balance which includes late payment charges.

- 1. **Monthly Eligibility** -- The Company reserves the right to require updated documentation in order for the customer to remain eligible for the rider.
- 2. A credit equivalent to 15% of the customer's Variable Distribution Service Charge ("VDC"). For New Manufacturing Locations or Brownfield Redevelopment the credit will apply to all kW of the VDC. For all existing customers the credit will apply to all incremental kW of the VDC.

II. **COMPETITIVE ALTERNATIVE:** customers with a viable competitive alternative to service from PECO may be eligible for benefits as outlined below.

A. QUALIFICATIONS.

- 1. Provide documentation of a viable, currently available competitive alternative to service from PECO. The customer must provide a written description of the competitive alternative and any further information that the Company requires in order to document the cost and demonstrate the viability of the customer's competitive alternative, and
- 2. Demonstrate a sustained increase in load (1MW minimum month over month for 3 months) as measured on PECO's meter, or a demonstrated retention of at least 1MW of load and,
- 3. Demonstrate increasing employment of 10 jobs/MW as reported out on PA Form UC-2, or demonstrated retention of at least 10 jobs/MW of load retained for the same period as #2.

B. RATE REDUCTION. The rate reduction will be applicable to the customer's base bill for the Qualifying Service Location before the application of the State Tax Adjustment and Nuclear Decommissioning Cost Adjustment.

- 1. Any customer will not be eligible for the rate reduction in any month in which the customer has an unpaid balance which includes late payment charges. The Company shall be the sole judge of any customer's eligibility for any rate negotiated rate reduction.
- 2. Any qualifying existing or new customer may qualify for a negotiated decrease in VDC charges of up to 15% to meet the customer's documented competitive alternative. The Company reserves the right to require updated documentation in order for the customer to remain eligible for the rider.

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ECONOMIC DEVELOPMENT RIDER (continued)

DEFINITIONS:

1. Service Location. A single or contiguous premises having one or more delivery points for distribution service billed by the Company under a single account.
2. New Manufacturing Customer. The Company has not previously provided service to the Service Location, or the service previously provided by the Company to the Service Location was not used for substantially the same type of operation or was terminated at least twelve (12) months before the customer's contractually specified effective date for service under this rider. This condition is waived for existing service locations where an entity has assumed operation of a service location from a customer which has ceased operations as a result of dissolution, so long as the formation of the entity did not occur as a result of merger, joint venture, acquisition and/or any other variation of combined business structures with the former customer at the service location. In any event, the completed application for the rider must be made within 6 months from the later of the date: (1) the customer first received service from the Company; or (2) the date the customer received its sales tax exemption certificate from the Commonwealth of Pennsylvania.
3. Manufacturing Sales Tax Exemption Certificate. Pennsylvania Sales Tax Blanket Exemption Certificate filed by the customer with the Company showing the address of the Service Location and certifying that more than fifty (50) percent (on an annual basis) of the service purchased by the customer for the Service Location is exempt from sales tax because it is used in manufacturing operations, shipbuilding operations, or ship cleaning operations.
4. Employment Report. The "Employer's Report for Unemployment Compensation" (PA Form UC-2) as filed by the customer with the Office of Employment Security, Department of Labor and Industry, Commonwealth of Pennsylvania.
5. Base Period. The twelve (12) month period immediately preceding the billing month in which the customer provides the Company written notice of its desire to be placed on the rider. If the customer does not then qualify for the rider within 60 days of the written notice, then the base period will be the twelve month period immediately preceding the billing period for which this rider is first applied to the customer's bills.
6. Base Period Employment Reports. The Employment Reports for all quarterly reporting periods, as defined by 43 P.S. 753 [d], in the Base Period.
7. Base Period Employees. The arithmetic mean of the number of employees each month as reported on the applicable Base Period Employment Report. An adjustment will be made to normalize Base Period Employees in quarters during which either the Casualty or Construction Rider was in effect for the Service Location.
8. Base Period Energy. The number of kilowatt-hours used by the customer for service to the Qualifying Service Location during each month of the Base Period. An adjustment will be made to normalize usage in months during which the Construction or Casualty rider was in effect.
9. Current Employment Report. The Employment Report covering the calendar month immediately following the Base Period as defined by 43 P.S. 753 [d]. The customer may submit an updated Employment Report at any time to reflect increases in Current Period Employees replacing and superseding the original report. The Company reserves the right to request an updated Employment Report at any time which may reflect increases or decreases in Current Period Employees replacing and superseding the original report.
10. Current Period Employees. The arithmetic mean of the number of employees each month as reported on the Current Employment Report.
11. Brownfield Site. Refers to real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Requires documentation either by providing a copy of the pertinent sections of the ASTM E 1903-97 Phase II Site Assessment documenting the site contamination or by providing a letter from a local, state or federal regulatory agency confirming the site is classified as a Brownfield by that agency.

TERM OF CONTRACT. This rider shall be in effect for either a period of five years provided that the customer maintains qualification for the duration of that time.

RENEWAL. A customer may renew the rider at any time in accordance with the terms and provisions of the rider as it applies to Qualifying Existing Service Locations. For renewal customers, the Base Period Energy for any month of the new Base Period shall not be less than the Base Period Energy of the corresponding month of the customer's previous Base Period. The Term of Contract for the renewal shall begin on the date on which the renewal of the rider is first applied based on the new Base Period.

TRANSFER OF OWNERSHIP. The Company will only apply the rider to the customer's bills for the term of contract. If, during the term of contract, the ownership of the service location changes, the Company may continue to apply the rider to the new owner's bills for the Service Location. If the Company continues to apply the rider in such circumstances, the Company shall apply the rider to the new owner's bills for the Service Location as if the new owner had been on the rider for the Service Location for the same period of time as was the previous owner.

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EMERGENCY ENERGY CONSERVATION RIDER

AVAILABILITY/APPLICABILITY

This rider is applicable in conjunction with Tariff Rule 12.3 relating to mandatory emergency energy conservation. It provides for modifications to the charges and practices otherwise applicable to certain customers as a result of compliance with or non-compliance with energy conservation curtailment levels as mandated by the appropriate governmental authority under emergency energy conservation conditions resulting from actual or potential shortage of fuel for electric generation. This rider is applicable to individual electric customer accounts served under Rates EP and HT, with a billing demand of 2,000 kilowatts or higher, in a recent twelve-month period prior to the emergency conservation condition. Customers designated by the procedures of Tariff Rule 12.3 and by the Pennsylvania Public Utility Commission, will be exempt from the provisions of this rider.

BASE PERIOD ENERGY USE

The base energy use for a weekly period shall be determined by the Company for each applicable customer account based upon a consideration of the customer's actual past or current electric consumption and the customer's existing operations.

MANDATORY CURTAILMENT ENERGY USE LEVEL TARGET

The mandatory curtailment energy use level target for each applicable customer shall be that percentage of base period energy use ordered pursuant to the emergency energy conservation procedures provided by Tariff Rule 12.3 or other percentage as a result of the order of appropriate governmental authority.

COMPLIANCE

When the energy consumption in any weekly period during the period of mandatory curtailment exceeds the mandatory curtailment energy use level target, the customer will be deemed to be in non-compliance. Customers deemed to be in non-compliance will not receive the billing modifications as set forth in this rider. In the event of continued non-compliance, the Company, upon notice to the Commission, may discontinue service.

BILLING FOR CUSTOMERS IN COMPLIANCE.

During the period of emergency energy conservation condition, billing will be based on special meter readings made to identify the demand established and energy using during the current energy use period. Customers in compliance with conservation orders will be excused from minimum bills and historical or contract demand or ratchet provisions and will be billed instead on the basis of current consumption and demand whenever the normal calculation method would produce a greater bill. If the customer receives Default Service, the terms of this rider shall not apply to the Energy Supply Charge.

These customers will be individually notified of this special billing provision before the implementation of the emergency energy conservation procedure.

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INVESTMENT RETURN GUARANTEE RIDER

AVAILABILITY/APPLICABILITY

To contracts which require investment in supply facilities greater than warranted by the incremental revenue recovered through the Company's tariffed Variable Distribution Service Charges of the Base Rate under which PECO Energy provides service.

COST OF EXTENSION

The cost of the extension of supply facilities, including the cost of the service connection, shall be set forth in each agreement for the application of this rider.

MINIMUM GUARANTEE

The minimum monthly payment shall be the amount set forth in the rider agreement or, in the event of later increases of the customer's load, the minimum of the rate at which service is rendered, whichever minimum obligation is the greater.

CONSTRUCTION ADVANCES

Where the service desired is of a special character or doubtful permanency, the Company will require payment of a sum equal to the cost of the extension as an advance for construction. A credit of 20% of the net amount of the customer's revenue recovered through the Company's tariffed Variable Distribution Service Charges will be allowed by the Company up to an aggregate refund of 100% of such sum, with the right to retain such portion of the advance as needed to guarantee the payment of subsequent bills.

FULFILLMENT OF CONTRACT TERM

In the event of the discontinuance for any reason of the distribution of energy before the expiration of the term of the contract with which this rider is applied, the customer shall pay the Company immediately thereon a pro rata share of the cost of the extension for the unexpired portion of the contract term.

OWNERSHIP OF DISTRIBUTION SUPPLY FACILITIES

The provisions of this rider shall not under any circumstances be considered as conferring upon the customer any title to, or right of property in, the distribution supply facilities.

CONTRACT TERM

Contract terms in excess of one year may be arranged with the customer to assure the return required by the investment in distribution supply facilities.

INTERRUPTIBLE RIDER – Mandatory

AVAILABILITY. This rider is applicable to any non-residential Customers, who fulfill the Load Requirement and can demonstrate to the Company's satisfaction the ability to reduce load in accordance with the "Curtailment" section below. The Company shall be the sole judge of whether the Customer is eligible for a rate negotiated pursuant to this rider. The Customer's participation in other load curtailment programs may render them ineligible to participate in the curtailment programs described below. This Rider is available whether a customer purchases energy under default service ... [595]

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NIGHT SERVICE GS RIDER

(The number of customers served under this rider may be limited by the availability of the required demand meters.)

AVAILABILITY/APPLICABILITY.

To distribution service provided during Off-Peak Hours for demands in excess of those supplied during On-Peak Hours. The demand specified for Off-Peak Hours may be limited to an amount determined by the Company which shall be dependent upon the capacity of the generation, transmission and distribution facilities available for such supply.

DEFINITION OF PEAK HOURS.

On-Peak Hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Savings Time, whichever is in common use, daily except Saturdays, Sundays and holidays; except that the On-Peak Hours will end at 4:00 pm on Fridays. Off-Peak Hours are defined as the hours other than those specified as On-Peak Hours.

RATE IMPACT.

Rate GS (with demand measurement), including all its terms and guarantees, is applicable. The blocking of the energy charges contained in the Variable Distribution Service Charges CTCs, shall be based on the billing demand for On-Peak Hours. If the customer receives Default PLR Service, the terms of this rider shall not also apply to the Energy Supply Charge.

MONTHLY RATE TABLE.

Night Service billing and metering charge: \$14.30
Charge per kW of Off-Peak billing demand per month: ~~\$2.39~~

STATE TAX ADJUSTMENT CLAUSE APPLIES TO THIS RIDER.

DETERMINATION OF OFF-PEAK BILLING DEMAND.

The Off-Peak billing demand shall be the amount by which the greatest demand during Off-Peak Hours, as determined by measurement, exceeds the billing demand for On-Peak Hours, whether the latter is a minimum or an actual demand.

OTHER RIDERS.

This rider will not be applied in conjunction with the Temporary Service Rider.

TERM OF CONTRACT.

The initial contract term shall be for at least one year.

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NIGHT SERVICE HT RIDER

AVAILABILITY/APPLICABILITY

To distribution service provided during Off-Peak Hours for demands in excess of those supplied during On-Peak Hours. The demand specified for Off-Peak Hours shall be limited to an amount determined by the Company which shall be dependent upon the capacity of the generation, transmission and distribution facilities available for such supply.

DEFINITION OF PEAK HOURS

On-Peak Hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Savings Time, whichever is in common use, daily except Saturdays, Sundays and holidays; except that the On-Peak Hours will end at 4:00 pm on Fridays. Off-Peak Hours are defined as the hours other than those specified as On-Peak Hours.

RATE IMPACT

Rates HT or EP, including all terms and guarantees, are applicable during On-Peak Hours. If the customer receives Default PLR Service, the terms of this rider shall not apply to the Energy Supply Charge.

MONTHLY RATE TABLE

Night Service billing and metering charge: \$11.39
Charge per kW of Off-Peak billing demand per month: ~~\$2.01~~

STATE TAX ADJUSTMENT CLAUSE APPLIES TO THIS RIDER.

DETERMINATION OF OFF-PEAK BILLING DEMAND

The Off-Peak billing demand shall be the amount by which the greatest demand during Off-Peak Hours, as determined by measurement, exceeds the billing demand for On-Peak Hours, whether the latter is a minimum or an actual demand.

OTHER RIDERS

Where the Off-Peak Rider and this rider are applied to the same contract, the Off-Peak Rider will be applied only to the provisions of the contract, and this rider will then be applied to the contract as modified. This rider will not be applied in conjunction with the Temporary Service Rider.

TERM OF CONTRACT

The initial contract term shall be for at least one year.

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NIGHT SERVICE PD RIDER

AVAILABILITY/APPLICABILITY.

To distribution service provided during Off-Peak Hours for demands in excess of those supplied during On-Peak Hours. The demand specified for Off-Peak Hours shall be limited to an amount determined by the Company which shall be dependent upon the capacity of the generation, trademark and distribution facilities available for such supply.

DEFINITION OF PEAK HOURS.

On-Peak Hours are defined as the hours between 8:00 am and 8:00 pm, Eastern Standard Time or Daylight Savings Time, whichever is in common use, daily except Saturdays, Sundays and holidays; except that the On-Peak Hours will end at 4:00 pm on Fridays. Off-Peak Hours are defined as the hours other than those specified as On-Peak Hours.

RATE IMPACT.

Rate PD, including all terms and guarantees, is applicable during On-Peak Hours. If the customer receives Default PLR Service, the terms of this rider shall not also apply to the Energy Supply Charge.

MONTHLY RATE TABLE.

Night Service billing and metering charge: \$11.39

Charge per kW of Off-Peak billing demand per month: \$2.16

STATE TAX ADJUSTMENT CLAUSE APPLIES TO THIS RIDER.

DETERMINATION OF OFF-PEAK BILLING DEMAND.

The Off-Peak billing demand shall be the amount by which the greatest demand during Off-Peak Hours, as determined by measurement, exceeds the billing demand for On-Peak Hours, whether the latter is a minimum or an actual demand, except that, when said greatest demand during Off-Peak Hours exceeds the demand specified for Off-Peak Hours, said greatest Off-Peak demand shall be reduced by the amount of the excess in determining the Off-Peak billing demand.

OTHER RIDERS.

Where the Off-Peak Rider and this rider are applied to the same contract, the Off-Peak Rider will be applied only to the provisions of the contract, and this rider will then be applied to the contract as modified. This rider will not be applied in conjunction with the Temporary Service Rider.

TERM OF CONTRACT.

The initial contract term shall be for at least one year.

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RECEIVERSHIP RIDER

AVAILABILITY/APPLICABILITY.

The Receiver-Trustee shall provide for the continued operation of a property formerly under contract for its electric service requirements.

AUTHORITY FOR OPERATION.

The Receiver-Trustee shall possess the authority under appointment by Court, through an order duly entered, to operate premises recited in a contract for electric service under which the Company has been providing service.

ACCEPTANCE.

The Receiver-Trustee shall accept and adopt for the continuation of service the contract theretofore in effect, including all of its provisions, and agree to pay the Company for all charges levied during the receivership-trusteeship at the rate specified therein.

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BILLING.

The Company reserves the right to render bills on a biweekly basis. To provide for biweekly billing under this rider, the provisions of the applicable rate and rider, if any, will be modified as follows:

- (a) Where applicable, all references to monthly or month will be changed to biweekly or biweek.
- (b) Where applicable, capacity charges will first be determined from the pricing in the monthly rate table and such sum will then be multiplied by 14/30ths (0.4667) to determine the capacity charges for the billing period.
- (c) The energy charges will be determined by using the prices in the monthly rate table; however, the limit of the kilowatt-hours to be billed in each price block will be determined by multiplying the hours' use of billing demand for each price block or the kilowatt-hour limits of a given price block by 0.4667.
- (d) The high voltage discount applicable to Rate HT will be determined by using the pricing in the monthly rate table and such sum will then be multiplied by 0.4667 to determine the discount for the billing period.
- (e) The minimum charge will be determined on a monthly basis and such sum will then be multiplied by 0.4667 to determine the minimum charge for the billing period.
- (f) A discount of 0.4% will be applied to the total bill.
- (g) A bill will be rendered biweekly covering the charges for the preceding billing period and such bill shall be paid within fifteen (15) days after receipt thereof.

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If the customer receives Default Service, the terms of this rider shall also apply to the Energy Supply Charge.

TERM OF CONTRACT.

The completion of the term of the contract taken over, or as terminated by the discharge of the Receiver-Trustee, or as arranged with the Receiver-Trustee for the continuation of service under the standard terms of this Tariff.

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RESIDENTIAL DIRECT LOAD CONTROL PROGRAM (DLC) RIDER

AVAILABILITY.

Central Air Conditioning Cycling Control Option:

This rider is available to any residential retail customer under rates R, RH, RS-2, and CAP that (a) is the owner of the premises at which service hereunder is to be provided (or can provide an authorization form from the owner); (b) is provided with electric service at such premises through a separate meter; (c) has a fully functional electric central air conditioning system (AC) as the principal and dedicated source of air conditioning for such premises, the electric service for which is delivered by the Company through such separate meter and is (are) capable of accepting a Company control device(s), as determined by the Company or its agent; (d) allows the Company to periodically cycle such AC compressor(s); and (e) is located at a premises where the Company's control signal can reach a control unit mounted near such connected unit.

Electric Water Heater Control Option:

This rider is available to any residential retail customer under rates R, RH, RS-2, and CAP that (a) is the owner of the premises at which service hereunder is to be provided (or can provide an authorization form from the owner); (b) is provided with electric service at such premises through a separate meter; (c) has a fully functional electric water heater, the electric service for which is delivered by the Company through such separate meter and is (are) capable of accepting a Company control device(s), as determined by the Company or its agent; (d) allows the Company to periodically control such electric water heater(s); and (e) is located at a premises where the Company's control signal can reach a control unit mounted near such connected unit.

Service hereunder is not restricted to residential retail customers that obtain full requirements electric supply from the Company under Default Service.

Notwithstanding the previous provisions of this Availability section, the availability of this rider is limited by the ability of the Company and its agent to purchase and install the necessary controls needed to implement and administer the Residential Direct Load Control Program (DLCP).

PROGRAM PROVISIONS.

The DLCP allows the Company to obtain temporary reductions in the electric power and energy demands on the electric delivery system located in its service territory through reductions in residential retail customers' electric power and energy usage requirements. The Company reserves the right to activate the DLCP for any reason, including (a) response to shortages of available capacity on the Company's distribution system; (b) response to shortages of available capacity on the transmission system located in the Company's service territory; (c) preservation of the availability of other load response resources or (d) reduction of peak load. A residential retail customer to which this rider is available that elects service hereunder is defined as a participant. An activation of the DLCP is defined as an event.

During an event, a participant in the DLCP allows the Company to remotely control the duty cycle of such participant's AC compressor(s) and/or control such participant's electric water heater(s). The Company is allowed to exercise such control without notice at any time. Control events will be limited to the period beginning June 1 and extending through September 30 of each year, except holidays.

EVENT PERFORMANCE:

During an event, the Company is allowed to cycle the participant's AC compressor(s) for the full duration of the event, with such cycling performed so that the AC compressor(s) alternates every fifteen (15) minutes between being available for cooling and not being available for cooling.

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PECO Energy Company

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RESIDENTIAL DIRECT LOAD CONTROL PROGRAM (DLC) RIDER (continued)

The credit provided in accordance with this rider is separately stated on the participant's bill.

MISCELLANEOUS GENERAL PROVISIONS.

The Company or its agent will certify a participant's equipment prior to installation of a load control device. Any equipment determined to not meet the certification standards will be ineligible to participate in the DLCP. Eligible equipment includes fully functional central air conditioning systems and electric water heaters in good condition that are compatible with the load control technology used for the program. Window air conditioning units are not eligible for participation.

The Company is not liable for any damage or injury, including any consequential damage, resulting from the intentional or unintentional interruption of the operation of the participant's AC compressor(s) and/or water heater(s). Only CAC units are eligible for program participation. Window mounted air conditioners do not qualify.

Provisions contained in this rider do not serve to modify the Company's rights contained in the General Terms and Conditions of the Company's Schedule of Rates.

TERMS OF CONTRACT.

The initial term of participation within this program shall end on May 31, 2014, but extended participation is possible, but predicated on future regulatory directives as yet to be determined. The Company reserves the right to modify the terms of this Rider at any time. Participants who have elected to terminate, can return to the program, but must wait 12 months before being permitted to do so.

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TEMPORARY SERVICE RIDER

APPLICABILITY.

To the provision of service, including builders construction service, when the Company must install temporary facilities that will be used for a limited period or for a service that is of doubtful permanency.

AVAILABILITY.

Temporary service will be provided only when the Company has available distribution facilities with sufficient capacity, and if the provision of service will not in any way interfere with service to other customers.

INVESTMENT IN DISTRIBUTION FACILITIES.

The cost of the extension and removal of facilities required to furnish the temporary service under the applicable rate shall be paid by the customer, but such payment shall not confer upon, nor entitle the customer to any title to, or right of property in, said facilities and equipment.

MINIMUM TERM.

Application of this rider to Rates R, R-H and GS shall not, for billing purposes, be considered to be for a period of less than one month.

Application of this rider to Rates PD and HT shall require payment of the minimum provisions of the contract for each month of the temporary service period, but in no case shall such period be considered, with respect to the guarantee of the monthly minimum charges, as of less duration than 6 months.

RATE IMPACT.

Billing shall be under the provisions of the applicable base rate and riders.

TERM OF CONTRACT.

Short term arrangements as agreed upon.

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APPENDIX B

Proof of Revenues

PECO Energy Company
Settlement Distribution Revenue Allocation by Rate Class

Rate	Current Revenue	Settlement Revenue	Increase in Revenue	% Increase
Residential	\$ 645,342,721	\$ 712,165,227	\$ 66,822,506	10.4%
Residential Heating	\$ 127,946,139	\$ 145,534,614	\$ 17,588,475	13.7%
General Service	\$ 205,269,930	\$ 235,887,706	\$ 30,617,776	14.9%
Primary Distribution	\$ 9,388,454	\$ 10,638,488	\$ 1,250,034	13.3%
High Tension	\$ 144,478,937	\$ 153,764,036	\$ 9,285,099	6.4%
Electric Propulsion	\$ 8,702,940	\$ 9,459,934	\$ 756,994	8.7%
Lighting	\$ 19,876,419	\$ 20,551,592	\$ 675,173	3.4%
Total	\$ 1,161,005,540	\$ 1,288,001,597	\$ 126,996,056	10.9%

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Classes Residential (R)

Line		PRESENT RATES		SETTLEMENT RATES		
		Bills	Rate	Revenue	Rate	Revenue
1	Customer Charges					
	Rate R	15,149,972	\$7.13	\$ 108,019,300	\$8.45	\$ 128,017,263
2	Second Meter	887,952	\$1.75	\$ 1,553,916	\$1.92	\$ 1,704,868
3	Total Customer Charges	<u>16,037,924</u>		<u>\$ 109,573,216</u>		<u>\$ 129,722,131</u>
4						
5	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
6	Rate R	10,686,495,987	\$0.0580	\$ 620,167,049	\$0.06247	\$ 667,585,404
7						
8	Total Distribution Charges	<u>10,686,495,987</u>		<u>\$ 620,167,049</u>		<u>\$ 667,585,404</u>
9						
10	CAP discount- Non-distribution			\$ (45,048,822)		\$ (45,048,822)
11	CAP discount- Distribution			\$ (31,305,114)		\$ (31,305,114)
12	Load reduction			\$ (8,415,000)		\$ (9,194,152)
13	Annualization			\$ 371,392		\$ 405,779
14				<u>\$ (84,397,544)</u>		<u>\$ (85,142,309)</u>
15						
16	Total Distribution Revenue			<u>\$ 645,342,721</u>		<u>\$ 712,165,227</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Class Residential Heating (RH)

Line		PRESENT RATES			SETTLEMENT RATES	
		Bills	Rate	Revenue	Rate	Revenue
1	Customer Charges					
1	Rate RH	2,150,111	\$7.13	\$ 15,330,291	\$8.45	\$ 18,168,438
2	Total Customer Charges	<u>2,150,111</u>		<u>\$ 15,330,291</u>		<u>\$ 18,168,438</u>
3	From Rate RH					
4	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
5	Rate RH Jun - Sept	675,485,000	\$0.0581	\$ 39,212,446	\$0.06247	\$ 42,197,548
6	Rate RH Oct - May	2,098,445,000	\$0.0387	\$ 81,106,582	\$0.04435	\$ 93,066,036
7	Total Distribution Charges	<u>2,773,930,000</u>		<u>\$ 120,319,028</u>		<u>\$ 135,263,584</u>
8						
9						
10	CAP discount- Non-distribution			\$ (4,025,365)		\$ (4,025,365)
11	CAP discount- Distribution			\$ (2,196,219)		\$ (2,196,219)
12	Load reduction			\$ (1,578,000)		\$ (1,784,865)
13	Annualization			\$ 96,403		\$ 109,041
14				<u>\$ (7,703,180)</u>		<u>\$ (7,897,408)</u>
15						
16	Total Distribution Revenue			<u>\$ 127,946,139</u>		<u>\$ 145,534,614</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Class General Service (GS)

Line		PRESENT RATES			SETTLEMENT RATES	
		Bills	Rate	Revenue	Rate	Revenue
	Customer Charges					
1	Single-Phase- No Demand	356,834	13.08	\$ 4,668,455	\$14.29	\$ 5,099,153
2	Single-Phase- With Demand	1,050,274	16.38	\$ 17,206,635	\$18.20	\$ 19,114,984
3	Poly-Phase- With Demand	387,672	40.08	\$ 15,539,076	\$43.54	\$ 16,879,260
4	GS Night Service Rider	36,180	\$14.30	\$ 517,374	\$14.30	\$ 517,374
5						
6	Total Customer Charges	<u>1,830,960</u>		<u>\$ 37,931,540</u>		<u>\$ 41,610,771</u>
7						
8	kWh-Based Rates	kWh	Rate	Revenue	Rate	Revenue
9	Single-Phase- No Demand	7,883,428,733	\$0.0047	\$ 37,052,115	\$0.0000	\$ -
10	Single-Phase- With Demand	-	\$0.0000	\$ -	\$0.0000	\$ -
11	Poly-Phase- With Demand	-	\$0.0000	\$ -	\$0.0000	\$ -
12	GS Night Service Rider	-	\$0.0000	\$ -	\$0.0000	\$ -
13						
14						
15	Intercompany- All kWh	32,330,521	\$0.0263	\$ 851,310	\$0.0000	\$ -
16		<u>7,915,759,254</u>		<u>\$ 37,903,425</u>		<u>\$ -</u>
17						
18	kW-based Rates					
19	GS Night Service Rider	142,140	\$1.0300	\$ 146,404	\$2.39	\$ 339,715
20	Billed demand kW	26,704,080	\$4.9600	\$ 132,452,238	\$7.40	\$ 197,610,194
21				<u>\$ 132,598,643</u>		<u>\$ 197,949,909</u>
22	Total Distribution Charges			<u>\$ 170,502,068</u>		<u>\$ 197,949,909</u>
23						
24	Load reduction			\$ (3,249,646)		\$ (3,772,782)
25	Annualization			\$ 85,968		\$ 99,808
26				<u>\$ (3,163,678)</u>		<u>\$ (3,672,974)</u>
27						
28	Total Distribution Revenue			<u>\$ 205,269,930</u>		<u>\$ 235,887,706</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Class Primary Distribution (PD)

Line		PRESENT RATES		SETTLEMENT RATES		
		Bills	Rate	Revenue	Rate	Revenue
	Customer Charges					
1	Rate PD	6,000	295.58	\$ 1,773,506	296.10	\$ 1,776,600
2	Rate PD- NSR Fixed	1,716	\$11.39	\$ 19,545	\$11.39	\$ 19,545
3	Total Customer Charges	<u>6,000</u>		<u>\$ 1,793,052</u>		<u>\$ 1,796,145</u>
4						
5	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
6	Rate PD	510,946,108	\$0.0032	\$ 1,635,028	\$0.0000	\$ -
7	Rate PD- NSR Fixed	-	\$0.0000	\$ -	\$0.0000	\$ -
8	Total kWh-Based Charges	<u>510,946,108</u>		<u>\$ 1,635,028</u>		<u>\$ -</u>
9						
10	kW-based Rates					
11	Rate PD	1,284,520	\$4.68	\$ 6,011,554	\$6.93	\$ 8,901,724
12	Rate PD- NSR Fixed	6,762	\$1.83	\$ 12,374	\$2.16	\$ 14,606
13	Total Demand-Based Charges	<u>1,291,282</u>		<u>\$ 6,023,928</u>		<u>\$ 8,916,330</u>
14						
15	Total Distribution Charges			<u>\$ 7,658,956</u>		<u>\$ 8,916,330</u>
16						
17	Load reduction		\$	(61,694)	\$	(71,822)
18	Annualization		\$	(1,859)	\$	(2,164)
19			\$	(63,553)	\$	(73,987)
20						
21	Total Distribution Revenue			<u>\$ 9,388,454</u>		<u>\$ 10,638,488</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Class Primary High Tension (HT)

Line		PRESENT RATES		SETTLEMENT RATES		
		Bills	Rate	Revenue	Rate	Revenue
	Customer Charges					
1	High Tension HT	31,260	297.90	\$ 9,312,491	299.63	\$ 9,366,434
2	Rate HT- NSR Fixed	13,368	\$11.39	\$ 152,262	\$11.39	\$ 152,262
3	Total Customer Charges	<u>31,260</u>		<u>\$ 9,464,753</u>		<u>\$ 9,518,695</u>
4						
5	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
6	High Tension HT	15,249,248,337	\$0.0017	\$ 25,923,722	\$0.0000	\$ -
7	Rate HT- NSR Fixed	-	\$0.0000	\$ -	\$0.0000	\$ -
8	Total kWh-Based Charges	<u>15,249,248,337</u>		<u>\$ 25,923,722</u>		<u>\$ -</u>
9						
10	kW-based Rates					
11	High Tension HT	31,637,375	\$3.55	\$ 112,312,681	\$4.67	\$ 147,746,540
12	Rate HT- NSR Fixed	568,827	\$1.97	\$ 1,120,589	\$2.01	\$ 1,143,342
13	33KV	6,221,825	(\$0.14)	\$ (871,055)	(\$0.15)	\$ (933,274)
14	69KV	83,553	(\$0.45)	\$ (37,599)	(\$0.48)	\$ (40,105)
15	>69KV	321,569	(\$0.45)	\$ (144,706)	(\$0.48)	\$ (154,353)
16	33KV-NSR	7,247,426	(\$0.14)	\$ (1,014,640)	(\$0.15)	\$ (1,087,114)
17	69KV-NSR	22,200	(\$0.45)	\$ (9,990)	(\$0.48)	\$ (10,656)
18	>69KV-NSR	817,918	(\$0.45)	\$ (368,063)	(\$0.48)	\$ (392,600)
19	Total Demand-Based Charges			<u>\$ 110,987,217</u>		<u>\$ 146,271,780</u>
20						
21	Total Distribution Charges			<u>\$ 136,910,939</u>		<u>\$ 146,271,780</u>
22						
23	Load reduction		\$	(1,841,268)	\$	(1,967,159)
24	Annualization		\$	(55,487)	\$	(59,281)
25			\$	(1,896,755)	\$	(2,026,440)
26						
27	Total Distribution Revenue			<u>\$ 144,478,937</u>		<u>\$ 153,764,036</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design- Rate Class Electric Propulsion (EP)

Line	Customer Charges	PRESENT RATES		SETTLEMENT RATES		
		Bills	Rate	Revenue	Rate	Revenue
1	Electric Propulsion	465	\$1,293.64	\$ 601,543	\$1,292.35	\$ 600,943
2	Total Customer Charges	<u>465</u>		<u>\$ 601,543</u>		<u>\$ 600,943</u>
3						
4	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
5	All kWh	747,600,000	\$0.0023	\$ 1,719,480	\$0.0000	\$ -
6	Total kWh-Based Charges	<u>747,600,000</u>		<u>\$ 1,719,480</u>		<u>\$ -</u>
7						
8	KW-Based rates					
9	All kW	2,119,559	\$3.03	\$ 6,422,265	\$4.20	\$ 8,902,149
10	>69KV-NSR	79,696	(\$0.45)	\$ (35,863)	(\$0.48)	\$ (38,254)
11	Total Demand-Based Charges			<u>\$ 6,386,401</u>		<u>\$ 8,863,895</u>
12						
13	Total Distribution Charges			<u>\$ 8,105,881</u>		<u>\$ 8,863,895</u>
14						
15	Load reduction			\$ -		\$ -
16	Annualization			\$ (4,484)		\$ (4,903)
17				<u>\$ (4,484)</u>		<u>\$ (4,903)</u>
18						
19	Total Distribution Revenue			<u>\$ 8,702,940</u>		<u>\$ 9,459,934</u>

PECO Energy Company (Electric)
Rate Year Ended December 31, 2016
Rate Design - Rate Classes Lighting

Line		PRESENT RATES		SETTLEMENT RATES		
		Bills/Locations	Rate	Revenue	Rate	Revenue
1	Customer/Location Charges					
2	SL-E	2,126,765	\$7.11	\$ 15,121,300	\$7.11	\$ 15,121,300
3	TLCL	105,240	\$3.50	\$ 368,340	\$3.62	\$ 380,969
4	AL	179,940	\$2.11	\$ 379,673	\$2.28	\$ 410,263
5	Total Customer Charges	<u>2,411,945</u>		<u>\$ 15,869,313</u>		<u>\$ 15,912,532</u>
6						
7	kWh-Based rates	kWh	Rate	Revenue	Rate	Revenue
8	SL-E	143,062,964	\$0.0050	\$ 715,315	\$0.00913	\$ 1,306,165
9	TLCL	49,199,914	\$0.0150	\$ 737,999	\$0.01517	\$ 746,363
10	Total kWh-Based Charges	<u>192,262,878</u>		<u>\$ 1,453,314</u>		<u>\$ 2,052,528</u>
11						
12	Company Owned Lighting					
13	SLS	9,140		\$ 2,032,800		\$ 2,056,614
14	POL	30,408		\$ 1,030,053		\$ 1,038,980
15	Total Company Owned Lighting	<u>39,548</u>		<u>\$ 3,062,853</u>		<u>\$ 3,095,594</u>
16						
17	Total Distribution Charges			<u>\$ 4,516,167</u>		<u>\$ 5,148,121</u>
18						
19	Load reduction			\$ (509,061)		\$ (509,061)
20	Annualization			\$ -		\$ -
21				<u>\$ (509,061)</u>		<u>\$ (509,061)</u>
22						
23	Total Distribution Revenue			<u>\$ 19,876,419</u>		<u>\$ 20,551,592</u>

APPENDIX C

In-Program Arrearage Forgiveness

**PA. P.U.C. V. PECO ENERGY COMPANY
DOCKET NO. R-2015-2468981**

**APPENDIX C
(In-Program Arrearage Forgiveness)
To The Joint Petition For Settlement Of Rate Investigation**

**PA. P.U.C. V. PECO Energy Company
Docket No. R-2015-2468981**

I. Background

1. On July 8, 2015, the Pennsylvania Public Commission (“Commission”) approved a multi-party settlement related to PECO’s 2013-2015 Universal Service and Energy Conservation Plan in Docket No. M-2012-2290911. In that Order, the Commission approved PECO to implement, in October 2016, a form of Customer Assistance Program (“CAP”), known as the Fixed Credit Option (“FCO”). The move from PECO’s existing CAP program to the FCO approach represents a fundamental change in CAP approach and structure that is designed and intended to significantly increase both the breadth and depth of affordability of service to PECO’s low-income customers.
2. As of this time, PECO’s customers who participate in PECO’s existing CAP program have accumulated approximately \$45 million of “in-program arrears” – that is, amounts that the customers have been billed since they entered the CAP program, but which they have not paid. The \$45 million includes amounts that are currently overdue, as well as amounts owed for prior service that are currently subject to a payment arrangement. This amount does not include any amounts owed for prior service that are classified as pre-program arrears. The parties have agreed that PECO’s historic CAP program did not provide rates that comprehensively met the Commission’s guidelines for affordable service, and that this unaffordability was a material factor in the customer’s developing the \$45 million in-program arrearage.
3. The testimony of BI&E (J. Dagadu) and the OCA (R. Colton) contains claims that PECO is responsible for a portion of the IPA arrearages due to PECO’s collection practices or for other reasons. This settlement does not admit or deny those claims; to the extent that any party considers those claims to be a valid part of this settlement, PECO’s guarantee to absorb 1/3 of the in-program arrearages, as set forth in detail below, is deemed to include and fully resolve such claims.
4. The parties further recognize that, when PECO implements the FCO program in October 2016, the full collection of the \$45 million of in-program arrears from CAP customers with the arrears will present substantial challenges to the success of the FCO program due to the potential impacts on affordability.

5. The parties have agreed to an in-program arrearage forgiveness program that will materially decrease the obligation of PECO's CAP customers to pay the accumulated \$45 million of in-program arrearages. The parties believe and agree that PECO's transition from its current program to the FCO program presents a unique opportunity to improve affordability for PECO's CAP customers. Given the unique circumstances presented, the parties have agreed to the approach set forth below to address the in-program arrearages. For its part, PECO has agreed that, for 1/3 of the arrearages, it will write-off those arrearages and not seek rate recovery of that 1/3. The other parties have agreed that PECO may recover the remaining 2/3 of the arrearages, as a transition cost of moving to the FCO, through a combination of CAP customer payments and rate recovery, as set forth at length below.
6. This Appendix describes: (a) how the arrearage forgiveness program will be applied to CAP customers' bills, and (b) how PECO will be allowed to recover 2/3 of the transition costs.

II. Application of In-program Arrearage Forgiveness ("IPAF") To CAP Customer Bills

1. PECO will continue to work to collect and mitigate in-program arrears between now and October 2016.
2. When the FCO program goes live in October 2016, PECO will determine the in-program arrearage balance for each CAP customer ("Customer Final IPA Balance") as of the implementation of the FCO program. Collectively, all Customer Final IPA Balances will constitute the "System Final IPA Balance," which will be addressed in the cost recovery section of this term sheet.
3. For each customer, 1/3 of their Customer Final IPA Balance will be designated as that customer's IPA Payment Arrangement Balance ("IPA PAR Balance") and will be recovered from the customer over a 60-month payment arrangement. The remaining 2/3 of the Customer Final IPA Balance will be tracked for potential forgiveness as a Customer Deferred Amount.
4. During the 60-month duration of the payment arrangement, whenever a customer pays \$1 of their IPA PAR Balance, the customer will receive permanent forgiveness of \$2 of their Customer Deferred Amount. (The cost recovery mechanism for this forgiveness is described in the cost recovery section, below.)
5. If a customer transfers their service to a new location and account during the 60-month duration of the payment arrangement, the payment arrangement shall transfer to the new account on the same terms and conditions as at the initial residence. For customers whose service is terminated pursuant to 52 Pa. Code §56.81 and whose account is then finaled prior to that customer paying their entire IPA PAR Balance, PECO will recombine the unpaid IPA PAR Balance and the unforgiven Customer Deferred Amount to constitute that customer's Remaining IPA Balance. (An example of this calculation is attached as Exhibit 1.) The CAP customer shall continue to owe the Remaining IPA Balance, and PECO shall continue normal

credit and collections practices with respect to the Remaining IPA Balance. However, if the customer successfully reinstates service during the initial 60-month term of the payment arrangement, the customer's payment arrangement shall be re-established, on the same terms and conditions as the original payment arrangement, with the specific limitation that the payment arrangement term shall expire 60 months after the FCO program is initiated. Customers who discontinue service pursuant to 52 Pa. Code § 56.72 prior to that customer paying their entire IPA PAR Balance will be handled under the termination rules set forth above, including the ability to reinstate the payment agreement if the customer successfully reinitiates service during the initial 60-month term of the payment arrangement.

III. IPAF Cost Recovery

1. PECO commits and guarantees that it will not, in this rate proceeding or any future rate proceeding, seek to collect an amount equal to 1/3 of the System Final IPA Balance, provided that the PECO guarantee shall have the same guarantee status as the regulatory asset guarantees described below. For example, if the System Final IPA Balance is \$45 million, PECO's cost recovery will not exceed \$30 million cumulatively from ratepayers and CAP customers in arrears. A detailed method of ensuring that guarantee is set forth below.
2. PECO will be allowed to collect \$2 million per year through the base rates established in this proceeding as a transition cost associated with in-program arrearage forgiveness (the "2015 Base Rate Case Allowance").
3. Once PECO has determined the System Final IPA Balance in October 2016, it will implement through its Universal Services Fund Charge ("USFC") a correction factor ("USFC Correction Factor"), using the formula set forth in Exhibit 2. The formula is designed such that the net sum of the 2015 Base Rate Case Allowance and the USFC Adjustment divided by the System Final IPA Balance will be the same ratio as the 2015 Base Rate Case Allowance divided by PECO's base rate claim of \$44.511 million.
4. Whenever a CAP customer makes a payment of \$1 toward their IPA PAR Balance, PECO will write-off \$1 of the Customer Deferral Amount; PECO will not seek rate recovery of the written off amounts through any rate mechanism. In addition, in its next USFC filing, PECO will include \$1 for recovery through the USFC (the "USFC Matching Amounts"). The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.
5. In PECO's future rate case(s), PECO will make a claim for FCO Transition Cost equal to 2/3 of the System Final IPA Balance, net of the following: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, and (3) the USFC Matching Amounts. PECO's right to the prospective full recovery of its claimed FCO Transition Cost may not be challenged other than with respect to proof of the amount

claimed or claims of calculation error. As a result of the approval in this proceeding of PECO's future FCO Transition Cost claim, PECO may hold the amount of the FCO Transition Cost claim as a regulatory asset, with such regulatory asset to be amortized over three years beginning with the effective date of the new tariff rates approved in PECO's future base rate case in which it makes the claim for FCO Transition Costs.

6. To ensure PECO's 1/3 guarantee, PECO will track its collections from the following sources: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, (3) the USFC Matching Amounts, and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s). When the total of all those collections equals 2/3 of the System Final IPA Balance, PECO will provide a credit to its USFC so that it will be collecting \$0, on an ongoing basis, from base rates and the USFC. Examples of this calculation are shown in Exhibit 3.

IV. Additional Issues:

1. If the total amount of the System Final IPA Balance to be included in this program exceeds \$46.7 million, or 5% above the current \$44.5 million estimate included in the Company's 2015 base rate filing, the Company agrees to provide to the parties an explanation for the increase and a description of all collection activities undertaken between the date of this Settlement and October 2016 that were designed to collect IPA balances.
2. PECO agrees to serve all parties of record in this proceeding with its yearly USFC reconciliation filing. In that filing, PECO will provide supporting documentation and explanation of any methodology and formulae employed to determine the amount of in-program arrearages included in the USFC rider. PECO will also provide a statement of the in-program arrearages recovered through both the USFC and base rates, in that year as well as cumulatively.
3. PECO agrees to improve its referral of CAP customers through its CARES program or other appropriate communication channel to facilitate the receipt of income assistance that might be of help in retiring past-due utility bills, including assisting CAP participants with applying for and receiving the Earned Income Tax Credit (EITC). PECO shall report on these efforts at its Universal Service Advisory Committee meetings.
4. PECO will evaluate whether it is over-noticing disconnections of service and tighten its business rule for when a notice of termination is issued. PECO shall report the results at its Universal Service Advisory Committee meeting and discuss reasonable notice procedures with the Universal Service Advisory Committee.

Exhibit 1: Determination of Remaining IPA Balance:

1. The Remaining IPA Balance shall be determined as follows: (Example):

Customer Final IPA Balance (established in October 2016): \$1800

Customer Payments to IPA PAR Balance (made prior to
account being finalized): -\$50

Permanent Forgiveness of Customer Deferred Amount: -\$100

Remaining IPA Balance: \$1650

The above customer, with a finalized account, would thus still owe \$1650.

Exhibit 2

Determination of USFC Correction Factor

$$\begin{array}{r} \text{System Final IPA Balance} \\ \hline \$44.511 \text{ (PECO's rate case IPA claim)} \end{array} = \text{USFC Correction Factor}$$

Example: System Final IPA Balance = \$42 million

$$\begin{array}{r} 42,000,000 \\ \hline 44,511,000 \end{array} = .944$$

In this example, PECO would make an adjustment in its next USFC filing as follows:

$$(\text{USFC Correction Factor} * \$2\text{M}) - \$2\text{M} = \text{USFC Adjustment}$$

$$(.944 * \$2\text{M}) - \$2\text{M} = (\$112,000) \text{ USFC Adjustment}$$

Note that, as stated in the text of the settlement, the ratios remain the same. Thus:

$$\begin{array}{l} \$2.0 \text{ million} / \$44.511 \text{ million} = .0449 \\ (\$2.0 \text{ million} - \$0.112 \text{ million}) / 42 \text{ million} = .0449 \end{array}$$

- The USFC Correction Factor will be applied prospectively, beginning with the effective date of PECO's next USFC filing. An additional adjustment will be made to apply the USFC Correction Factor retrospectively to the base rate revenues collected between January 1, 2016 and the effective date of the prospective correction, amortized over the same number of months as the over or under collection occurred.
- The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

Exhibit 3: Examples of PECO Guarantee

Example 1: No USFC Adjustment, Assumes Customers Pay 40% of Their IPA Balance, 5 Years Until Next Base Rate Case

(millions)

Revenue Collection Assumptions:

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$44.511
2015 Base Rate Allowance, Annual	\$2
USFC Correction	\$0
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$2

Revenue Collection:

2015 Base Rate Case Allowance, 5 Years	\$10
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $44.511/3/5 * .4 = \$1.18696$)	\$5.9348
USFC Matching Amounts	\$5.9348
Total Revenues Received Prior to Next Base Rate Case	\$21.8696

Calculation of PECO Transition Cost Claim in Next Base Rate Case:

System Final IPA Balance	\$44.511
-1/3 PECO Guarantee	(14.837)
- Total Revenues Collected	(\$21.8696)
= PECO Transition Cost Claim	\$7.8044
Three-Year Amortization = Annual Rev Req	\$2.6014

When PECO's collections of its Transition Cost Claim equal \$7.8044, an offsetting annual USFC credit of \$2.6014 would be put in place to zero out the then-ongoing base rate recoveries.

Example 2: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 5 Years Until Next Base Rate Case

(millions)

Revenue Collection Assumptions:

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888

Revenue Collection:

2015 Base Rate Case Allowance, 5 Years	\$9.44
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $42/3/5 * .3 = \$0.84$)	\$4.2
USFC Matching Amounts	\$4.2
Total Revenues Received Prior to Next Base Rate Case	\$17.84

Calculation of PECO Transition Cost Claim in Next Base Rate Case:

System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$17.84)
= PECO Transition Cost Claim	\$10.16
Three-Year Amortization = Annual Rev Req	\$3.3866

When PECO's collections of its Transition Cost Claim equal \$10.16, an offsetting annual USFC credit of \$3.3866 would be put in place to zero out the then-ongoing base rate recoveries.

Example 3: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 4 Years Until Next Base Rate Case

	(millions)
Revenue Collection Assumptions:	
IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888
Revenue Collection:	
2015 Base Rate Case Allowance, 4 Years	\$7.552
CAP Customer Payments To System Final IPA Balance Over 4 Years (Annual Collections = $42/3/5 * .3 = \$0.84$)	\$3.36
USFC Matching Amounts	\$3.36
Total Revenues Received Prior to Next Base Rate Case	\$14.272
Calculation of PECO Transition Cost Claim in Next Base Rate Case:	
System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$14.272)
= PECO Transition Cost Claim	\$13.728
Three-Year Amortization = Annual Rev Req	\$4.576

In this example, the 5-year program period for arrearage forgiveness would still be active when PECO goes in for its next base rate case. PECO would thus continue to track customer payments toward their IPA PAR Balances and USFC Matching Amounts. When PECO's collections of its Transition Cost Claim, post base rate Customer Payments and post base rate case USFC Matching Amounts equal \$13.728 million, an offsetting annual USFC credit of \$4.576 would be put in place to zero out the then-ongoing base rate recoveries. If subsequent analysis showed that a timing mismatch between the IPAF program and PECO's base rate case had resulted in collection by PECO of more than \$28 million, that amount would be returned through a USFC credit.

APPENDIX D

Capacity Reservation Rider

APPENDIX D
(Capacity Reservation Rider)
To The Joint Petition For Settlement Of Rate Investigation

PA. P.U.C. V. PECO Energy Company
Docket No. R-2015-2468981

Rate GS

- The CRR will not apply to GS customers with generation that is smaller than 100 kW nameplate capacity.
- The CRR level will be set at 60% of the customer's nameplate, unless the customer initiates negotiations to set the CRR at a different level.
- The CRR does not apply to storage or battery, and the capacity or nameplate of storage or battery equipment shall not be used in calculating the CRR.
- Any GS customer, regardless of size of load or generation, may initiate negotiation to set the CRR at a level other than 60% of nameplate.
- No customer will pay more than the demand for the actual load behind its meter.

Rates HT, PD, and EP

- For customers with less than 5 MW but greater than 100 kW of nameplate generation, the CRR level will be set at 60% of the customer's nameplate, unless the customer initiates negotiations to set the CRR at a different level.
- The CRR does not apply to storage or battery, and the capacity or nameplate of storage or battery equipment shall not be used in calculating the CRR.
- For customers with a nameplate generation between 5 MW and 10 MW, the CRR will be set via negotiations unless the customer chooses to have the CRR level set at 50% of the customer's nameplate.
- For customers whose generation is larger than 10 MW nameplate, the CRR will be set via negotiations.
- No customer will pay more than the demand for the actual load behind its meter.
- Prior to a customer officially being placed on the CRR, PECO must provide written notice to the customer informing the customer that, upon receiving service under the terms agreed to between the customer and PECO, capacity beyond the capacity reservation approved under the provisions of the CRR may not be available to the customer.

Negotiations; penalties and reset

- In negotiations to set the CRR at a level other than 60 % of nameplate, the customer may designate a CRR level other than 60% of nameplate, but not lower than 40% of the customer's peak demand for load behind its meter, based upon one or more of the following three factors:

- Parasitic Load: The power consumed by the equipment supporting the operation of a customer's generation shall be removed.
- Operational Flexibility in Operation of Generation: The customer may state that it will operate its generation in a manner such that PECO will not need to keep capacity available to serve some portion of the customer's "covered" load. For example, a customer with four units of 1 MW each may state that it only intends to operate 2 MW of generation at any time, with the other two units held in reserve as backups, and that it therefore only requests that 2 MW of distribution capacity be held in reserve for it and that its CRR be set at 2 MW. Another example is a customer with a combination of intermittent renewables and batteries (1000 kW solar, 200 kW battery and 550 kW annual peak demand) that plans to run the batteries such that the customer's highest daily peak is reduced by a number equal to 60% of the battery nameplate – that is, the 550 kW nominal demand would be reduced by $(200 \times .6 = 120)$ = 430. The customer would therefore only request that 258 kW of distribution capacity $(430 \times .6)$ be held in reserve for it and that its minimum demand after the CRR be set at 258 kW.
- If a customer's CRR is set below 60% of nameplate based on Operational Flexibility of Generation, then:
 - The customer shall inform PECO in writing if its generation operations differ materially from the mode of operations used to set the CRR limit;
 - The customer shall verify to PECO once each calendar year that its generator operations in the prior year did not differ materially from the mode of operations used to set the CRR limit; and
 - PECO shall have the right to conduct an audit of customer operations to determine whether generator operations differed materially from the mode of operations used to set the CRR limit.
 - If, in its determination, PECO believes that a customer has operated its distributed generation units in a manner contrary to the mode of operations used to set the CRR limit, PECO may issue a written violation notice to the customer. PECO will rescind a violation notice if, within 30 days of receiving the violation notice, a customer furnishes evidence showing that it operated its distributed generation units consistent with the mode of operations used to set the CRR during the period in question.¹ If PECO is not satisfied that the information provided by the customer demonstrates that it operated its distributed generation units consistent with the mode of operations used to set the CRR, PECO may file a complaint with the Commission and the Commission's determination shall prevail on whether the notice of violation will be deemed to be confirmed. If a customer does not furnish such evidence within 30 days of receiving the violation notice, the violation notice is confirmed.

¹ If the 30th day falls on a weekend or Pennsylvania state government holiday, the deadline is extended to the next business day.

of any such designation by filing a complaint with the PUC (to be referred to the Office of Mediation), but pending resolution of the complaint the CRR shall be set at the customer-designated level, subject to retrospective revision upon completion of the mediation/litigation.

- CRR levels based on Ability to Shed Load shall be determined by the customer only after discussions with PECO. PECO may challenge the reasonableness of any such designation by filing a complaint with the PUC (to be referred to the Office of Mediation). Pending resolution of the complaint the CRR shall be set at the PECO-designated level, subject to retrospective revision upon completion of the mediation/litigation.

Future Base Rate Cases:

- The CRR shall not apply to customer generators that are online prior to January 1, 2016.
 - The CRR shall be a pilot program. The name of the CRR shall be modified to be the Pilot Capacity Reservation Rider. The Purpose section of the rider will contain language that states that: The CRR shall not apply to customer generators that are online prior to January 1, 2016;
 - The capacity reservation that is covered by the CRR is for customers seeking to reserve capacity for generation installed after that point in time, and
- In the period until PECO's next base rate case, it will collect additional data regarding coincident peaks of customer generation and other data issues regarding the operation of the CRR, including: (1) a more granular definition of distribution system costs for customers taking service at transmission voltage levels or at or within one span of a PECO-owned substation (*i.e.*, transmission transformation service) and for customers with intermittent renewable generation and (2) the usage patterns for all distributed generation on PECO's system including intermittent renewable generation and make such data available to parties before submitting any proposal to renew or revise its CRR Pilot Program. Based on that and other data it may deem necessary, in future base rate cases PECO may propose that: (1) the CRR Pilot Program become a permanent tariff addition; (2) the CRR Pilot Program be applied to generators that were online prior to January 1, 2016. All parties reserve their rights to respond to any such proposals and to oppose continuation of the pilot or individual elements of the pilot (including the percentage of nameplate used in calculating the CRR for intermittent renewable generation).

Misc/Related

- In PECO's Rate GS, it has proposed to include a 40% contract minimum demand for customers with loads in excess of 500 kW (that is, Class 4 Procurement customers). For such customers, the contract maximum limit shall be established each year at the maximum registered demand in the prior 12 months; such demand determination will be made contemporaneously with PECO's annual procurement class determination process. The contract minimum shall be set at 40% of this amount.
- Rate GS customers who have a CRR shall have a maximum contract limit established using this same procedure, regardless of whether the underlying load is above or below 500 kW.

- PECO will revise its proposed tariff sheet to make clear that the billing demand for a Rate GS customer will be the greater of (a) registered demand, (b) the contract minimum, or (c) for customer's with distributed generation, the contract minimum plus the CRR.
- For all customer classes, the nameplate of customer-sited generation used in the CRR calculation shall not exceed the actual peak demand of the customer from the prior year.
- The requirements in the tariff that require customers to notify PECO when on site generation is off line shall be rewritten so that the requirement to notify PECO does not apply to customers with intermittent renewable generation.

APPENDIX E

Rate Effects For Typical Customers In Each Major Class

PECO Energy Company
Rate Effects for Typical Customers in Each Major Class

Residential Class

Under the Settlement Rates, the monthly residential distribution customer charge will increase \$1.32 (or 18.5%) from \$7.13 to \$8.45¹. This increase in the distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of \$12.02, which represents a \$4.89 increase (or 68.6%). In addition, under the Settlement Rates, the bill for a typical Residential customer that uses 700 kWh per month will increase by \$4.17 per month, from \$110.18 to \$114.33² (or 3.8%), including default service generation, taxes and other surcharges. In comparison, in the Company's proposed filing, the bill for a typical Residential customer that uses 700 kWh per month would have increased by \$6.55 per month, from \$110.18 to \$116.73³ (or 5.9%), including default service generation, taxes, and other surcharges.

Commercial Class

Under the Settlement Rates, the monthly distribution customer charge for a Rate GS polyphase demand customer will increase \$3.46 (or 8.6%) from \$40.08 to \$43.54. This increase in the distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of \$44.49. In addition, under the Settlement Rates, the bill for a typical Rate GS polyphase with demand customer with monthly billing demand of 25 kW will increase by \$17.41 per month, from \$1,066.71 to \$1,084.12 (or 1.6%), including default service generation, taxes and other surcharges. In comparison, in the Company's proposed filing, the bill for a typical Rate GS polyphase with demand customer with monthly billing demand of 25 kW demand would have increased by \$28.09 per month, from \$1,066.71 to \$1,094.80 (or 2.6%), including default service generation, taxes, and other surcharges.

Industrial Class

Under the Settlement Rates, the monthly distribution customer charge for a Rate HT customer will increase \$1.73 (or 0.6%) from \$297.90 to \$299.63. This increase in the distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of \$306.00. In addition, under the Settlement Rates, the bill for a typical HT customer with monthly billing demand of 1,000 kW will increase by \$410.53 per month, from \$36,983.76 to \$37,394.29 (or 1.1%), including default service generation, taxes and other surcharges. In comparison, in the Company's proposed filing, the bill for a typical Rate HT customer with monthly billing demand of 1,000 kW would have increased by \$900.78 per month, from \$36,938.76 to \$37,839.54 (or 2.4%), including default service generation, taxes, and other surcharges.

¹ Rates from Appendix B, Revenue Allocation And Rate Design.

² All calculations use riders in effect at 3/1/15 and the price-to-compare from 3/1/15, which assures that the rates are being compared on a consistent basis.

³ PECO Energy Company – General Base Rate Filing, Volume No. I - Customer Notice.

STATEMENT A

Statement in Support of Joint Petition for Settlement of PECO Energy Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

PECO ENERGY COMPANY

Docket No. R-2015-2468981

**STATEMENT OF PECO ENERGY COMPANY
IN SUPPORT OF THE JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

September 10, 2015

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

PECO ENERGY COMPANY

Docket Nos. R-2015-2468981

**STATEMENT OF PECO ENERGY COMPANY
IN SUPPORT OF THE JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

TO THE HONORABLE ANGELA T. JONES, ADMINISTRATIVE LAW JUDGE:

I. INTRODUCTION AND OVERVIEW

PECO Energy Company (“PECO” or the “Company”) submits this Statement in Support with respect to the Joint Petition for Settlement of Rate Investigation (“Joint Petition”) entered into by and among the following Joint Petitioners¹:

Bureau of Investigation and Enforcement (“I&E”);

Office of Consumer Advocate (“OCA”);

Office of Small Business Advocate (“OSBA”);

Philadelphia Area Industrial Energy Users Group (“PAIEUG”);

Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania (“CAUSE-PA”);

¹ The General Service Administration and Mr. William B. Kazimer, a residential customer who intervened in the proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. As noted in Section II. J. of the Joint Petition, I&E and PAIEUG are not joining in, but do not oppose, the term of the Settlement set forth in Paragraph 25 thereof.

Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN *et al.*”);

City of Philadelphia (“City”);

Keystone Energy Efficiency Alliance Energy Education Fund (“KEEF”);

Clean Air Council (“CAC”);

Natural Resources Defense Council (“NRDC”);

The Alliance for Solar Choice (“TASC”);

Environmental Defense Fund (“EDF”); and

If the settlement set forth in the Joint Petition (“Settlement”) is approved, it will resolve all issues in this proceeding.

The Settlement of this case was achieved only after a comprehensive investigation of PECO’s operations and finances, which included: (1) extensive discovery (PECO responded to 537 interrogatories); (2) submission of direct, supplemental direct, rebuttal, and surrebuttal testimony covering a wide range of issues; (3) informal discovery, including Technical Conferences held on May 22 and June 3, 2015; (4) public input hearings; and (4) negotiations among the Joint Petitioners as to the appropriate revenue level, rate structure, rate design, and other matters, as set forth in detail in the Joint Petition.

The Settlement has been achieved among parties representing a wide array of stakeholder interests, including residential, commercial and industrial customers; organizations representing the interests of low income customers; environmental advocacy groups; associations of solar energy and conservation service providers; and government entities. The fact that the Settlement was reached among parties displaying the diverse interests of the Joint Petitioners is, in itself, strong evidence that the Settlement is reasonable and in the public interest. In fact, the

Settlement reflects a carefully balanced compromise of the interests of all the Joint Petitioners based on their thorough and detailed consideration of the evidence adduced in this case, all of which was entered into the record at the evidentiary hearing conducted on August 14, 2015.

Significantly, three of the signatories – I&E, OCA, and OSBA – are charged with specific legal obligations to carefully scrutinize all aspects of a utility’s request to increase rates. I&E, which has the broadest mandate, functions as an independent prosecutorial bureau within the Commission and, as such, is charged with representing the public interest in utility rate proceedings.² The OCA has a statutory obligation to protect the interests of consumers of public utility service.³ And the OSBA represents the interests of small businesses.⁴ As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have conscientiously and rigorously discharged their statutory obligations. The statutory parties’ joining in, and fully supporting, the Settlement is strong evidence that the Settlement’s terms and conditions are just, reasonable and in the public interest.⁵

Moreover, as explained hereafter, the Company presented a compelling case for rate relief. This is evidenced by, among other factors, the fact that PECO’s base rates have not increased since January 1, 2010 (PECO St. No. 1, p. 5); since the end of the future test year in its last base rate case (December 31, 2010), PECO has invested approximately \$1.5 billion in new and replacement electric distribution plant and plans to invest an additional \$700 million in 2015

² See *Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Final Order entered August 11, 2011), p. 5 (“BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters . . .”).

³ See 71 Pa.C.S. §§ 309-1 *et seq.*

⁴ See 73 P.S. §§ 399.41 *et seq.*

⁵ See *Pa. P.U.C. v. T.W. Phillips Gas and Oil Co.*, Docket Nos. R-2010-2167797 *et al.*, 2010 Pa. PUC LEXIS 1598 at *80-85 (Recommended Decision issued October 5, 2010), relying upon the support of I&E’s predecessor, the Office of Trial Staff (“OTS”), the OCA and the OSBA as evidence that the settlement in that case was reasonable and in the public interest. The Recommended Decision was expressly approved and adopted by the Commission in its Final Order entered November 4, 2010 at the above-referenced docket.

and 2016 (PECO St. No. 2, p. 2); and PECO's load growth has declined by 0.6% on a compound annual basis over the period 2011-2014 (*Id.* at 3).

The Company's need for rate relief and the reasonableness of the increase in revenues set forth in the Settlement is addressed further in Section II, below. Section II also discusses the other terms of the Settlement and explains why they are reasonable in light of the evidence presented in this case and are in the public interest. Section III is a summation of the reasons why the Settlement as a whole is in the public interest.

A. The Settlement Is Consistent With Commission Policy, Practice And Precedent Concerning Settlements

The Commission's long-standing policy, practice and precedent, which are embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401, strongly encourage parties to resolve contested proceedings by settlement. Indeed, in its Policy Statement, the Commission stated that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding." There are many reasons why settlements can produce better outcomes and do a better job of promoting the public interest than full litigation, which have been repeatedly affirmed in decisions approving proposed settlements. Those reasons were aptly summarized in Administrative Law Judge Chestnut's Recommended Decision⁶ approving a settlement of PECO's 2010 electric rate case:

Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative

⁶ *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2010-2161575 (Recommended Decision issued November 2, 2010), p. 12. Judge Chestnut's Recommended Decision was approved and adopted by the Commission in its Final Order entered December 21, 2010.

hearing resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. Rate cases are expensive to litigate and the cost of such litigation at a reasonable level is an operating expense recovered in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yields significant expense savings for the company's customers. That is one reason why settlements are encouraged by long-standing Commission policy.

Although not explicitly discussed in Judge Chestnut's Recommended Decision, settlements also promote the public interest in another important way. In settlements, parties can, through compromise and agreement, craft innovative and creative solutions that the Commission may not be in a position to develop and impose unilaterally. The Settlement in this case contains a number of terms that are excellent examples of innovative and creative solutions achieved by agreement of the parties, as more fully explained in the Joint Petition (*see, e.g.*, Appendices C and D) and summarized in Section II, below.

B. Settlements That Do Not Stipulate Or Identify The Specific Components Underlying A Settled Revenue Increase Have Been Consistently Approved And Strongly Endorsed By The Commission As Promoting The Public Interest

As the Joint Petition makes clear (*see* Paragraphs 12, and 29-32), the Joint Petitioners acknowledge that, subject to the limited exceptions set forth in the Joint Petition, they have not sought, nor would they be able, to agree upon the specific ratemaking adjustments that support their respective decisions to enter into the Settlement. Nonetheless, as the Joint Petitioners explain in their respective Statements in Support, they are in full agreement that the Settlement achieves the following goals:

- Resolves a number of contested issues, by means of inter-related compromises, in a manner that produces an overall outcome well within the range of reasonable outcomes supported by the record evidence;
- Appropriately and fairly balances: (1) the interests of customers in receiving safe, adequate and reliable service at just and reasonable rates; and (2) the interests of the Company and its shareholders in having a reasonable opportunity – through continued prudent and efficient management – to earn a fair return on their investment in property dedicated to the public service, which will support further investment in additional needed plant and equipment;
- Produces a fair result for all parties; and
- Therefore, for all the foregoing reasons, is in the public interest.

As explained above, the Joint Petition embodies a so-called “black box” settlement because the Joint Petitioners have neither agreed upon, nor identified, their individual assessments of the various subsidiary components of the overall revenue requirement upon which they settled. The Joint Petitioners’ approach facilitates settlements by allowing parties to agree to an overall settled outcome that all parties find reasonable without abandoning or reversing their litigation positions on issues they deem important and, thereby, compromising their ability to present their arguments in other proceedings where settlement may not be possible.⁷ Thus, the net result is reasonable and acceptable to all, so long as the parties are not

⁷ See 52 Pa. Code § 5.231 and the Commission’s Policy Statement on Settlements, *supra*. While there are many Commission-approved Recommended Decisions that have found black box settlements to be in the public interest on this basis, one recent example is *Pa. P.U.C. v. Borough of Ambler Water Department*, Docket No. R-2014-2400003, 2014 Pa. PUC LEXIS 547 at *12-15, (Recommended Decision of Administrative Law Judge Cynthia Williams Fordham issued October 17, 2014). In her Recommended Decision, Judge Fordham, after summarizing Commission precedent approving black box settlements, affirmed I&E’s position in that case that “the revenue amount and rate design in the Settlement are within the range of potential litigated outcomes” and “further line-by-line identification and ultimate resolution of each revenue-related issue raised in the proceeding beyond those addressed in the Settlement is not necessary to find that the Settlement is in the public interest . . .” *Id.* Judge

forced to reveal their positions and strategies or the compromises they made to reach the settled outcome. Nonetheless, limited exceptions to the black box concept were made in this Settlement – as in other settlements that have been approved by the Commission – as needed to implement and administer the Settlement terms, such as specifying the recovery of costs for PECO’s enhanced vegetation management initiative, identifying depreciation rates to be used to calculate depreciation expense, and the roll-in to base rates of PECO’s Smart Meter Cost Recovery Surcharge (Joint Petition, ¶¶ 15, 23 and 24).

The Joint Petitioners’ approach to delineating the terms of the Settlement in the Joint Petition, namely, a “black box” subject to limited but appropriate exceptions, has been consistently and repeatedly approved by the Commission. One of the strongest endorsements of black box settlements as not only consistent with the public interest but a means of affirmatively promoting the public interest occurred in two companion cases involving Citizens’ Electric Company of Lewisburg, PA (“Citizens”) and Wellsboro Electric Company (“Wellsboro”), which are subsidiaries of a common parent. Citizens and Wellsboro made simultaneous rate filings, and black box settlements were achieved in both cases. The Administrative Law Judge approved the settlements in separate Recommended Decisions⁸ but stated, parenthetically, that “ ‘Black Box’ agreements are sometimes regarded with little enthusiasm” by some participants. The

Fordham’s Recommended Decision was approved and adopted by the Commission in its Final Order entered December 4, 2014. While *Borough of Ambler* involved a relatively smaller utility, black box settlements of base rate increases have been approved on the same basis for many large utilities, such as the settlement of PECO’s 2010 electric rate case discussed previously. *See, e.g., Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2014-2406274 (Final Order entered December 10, 2014) (approving a black box settlement for a base rate increase of \$32.5 million); *Pa. P.U.C. v. Duquesne Light Co.*, Docket No. R-2013-2372129 (Final Order entered April 23, 2014) pp. 8-15 (approving a black box settlement providing for a base rate increase of \$48 million); *Pa. P.U.C. v. PPL Electric Utilities Corp.*, Docket No. R-2010-2161694, 2010 Pa. PUC LEXIS 2001 at *15 and *30-35 (Final Order entered December 16, 2010), (approving a black box settlement providing for a base rate increase of \$77.5 million).

⁸ *Pa. P.U.C. v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665, 2010 Pa. PUC LEXIS 1890 at *20-21, (Recommended Decision issued December 21, 2010), *Pa. P.U.C. v. Wellsboro Electric Co.*, Docket No. R-2010-2172662, 2010 Pa. PUC LEXIS 1891 at *17-18 (Recommended Decision issued December 21, 2010).

Commission approved both Recommended Decisions in Final Orders issued on January 13, 2010. In each case, then-Chairman Powelson issued separate statements responding to the Recommended Decisions' parenthetical suggesting less than enthusiastic support for black box settlements, as follows:

I . . . will continue to support settlements, including those of a black box nature, enthusiastically. Determination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. *Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.* (Emphasis added.)

Then-Chairman Powelson's separate statements in *Citizens'* and *Wellsboro, supra*, have been relied upon by parties, Administrative Law Judges and the Commission itself in many subsequent cases. For example, in Peoples TWP LLC's 2013 base rate case,⁹ the Commission approved the settlement reached in that case and denied all of an objecting party's exceptions. In response to a complainant's specific objection to the black box nature of the settlement, the Commission stated that its holding was squarely based on Commissioner Powelson's statements in *Citizens'* and *Wellsboro*¹⁰:

We have historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See, Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13,

⁹ *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Final Order entered December 19, 2013), pp. 27-28.

¹⁰ *Id.* at 28.

2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.

As evidenced by the authorities discussed above, the Commission fully endorses the concept of black box settlements such as the Settlement achieved in this case.

C. General Standard For Approval Of Settlements

It is well-established that, in order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest. *See Pa. P.U.C. v. CS Water & Sewer Assoc.*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1, 22 (1985). In Section II, below, each of the principal terms of the Settlement are discussed in light of the record evidence and the parties' positions. As explained therein, the final resolution achieved by each of those terms is consistent with, and promotes, the public interest.

II. SPECIFIC SETTLEMENT TERMS¹¹

A. Revenue Requirement (Joint Petition, Paragraphs 14-15)

On March 27, 2015, PECO filed with the Commission Tariff Electric – Pa. P.U.C. No. 5 (“Tariff No. 5”) which reflected an increase in annual distribution revenues of \$190 million, or 4.4% of its total electric operating revenues, based on data for a fully projected future test year (“FPFTY”) ending December 31, 2016. On April 23, 2015, the Commission adopted an Order (the “Suspension Order”) suspending the tariff filing and referring it to the Office of Administrative Law Judge for an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed by PECO. Accordingly, PECO’s Tariff No. 5 was suspended by operation of law until December 26, 2015.

As previously explained, following detailed formal and informal discovery, the submission of multiple rounds of testimony and extensive negotiations, the Joint Petitioners agreed to the Settlement embodied in the Joint Petition. Under the terms of the Settlement, PECO will be entitled to charge electric distribution base rates designed to produce an increase in electric operating revenues of \$127 million, or approximately 2.9% of total operating revenues, based on billing units for the twelve months ended December 31, 2016, to become effective for service rendered on and after January 1, 2015 (“Settlement Rates”).

Under PECO’s distribution rates in effect at the time of its filing and its riders effective March 1, 2015, a typical residential customer of the Company using 700 kWh per month paid a monthly bill of \$110.18 (Joint Petition, Appendix E). At the Settlement Rates, and consistently applying the riders in effect on March 1, 2015, a residential customer of PECO using 700 kWh

¹¹ Section II of this Statement in Support contains a general description of the terms and conditions of the Settlement set forth in the Joint Petition. While every effort has been made to try to ensure that the descriptions are accurate, if any inconsistency exists or is perceived between the Statement in Support and the terms and conditions of the Joint Petition, the Joint Petition shall take precedence and shall control.

per month would pay a total monthly bill of \$114.35, or an increase of \$4.17 per month (3.8%).

Id. By comparison, under the rates initially proposed by PECO, a bill for a typical residential customer using 700 kWh per month would have increased by \$6.55 per month, from \$110.18 to \$116.73, or 5.9%. *Id.* The increases originally proposed and those that would result from the Settlement Rates are set forth for the other major customer classes in Appendix E to the Joint Petition.

The increase in customer rates and total annual operating revenues under the Settlement must be viewed in the context of the period since the Company's last increase in base rates became effective. PECO's current base rates were established by the Commission's Final Order entered December 21, 2010 at Docket No. R-2010-2161576 and became effective on January 1, 2011. Consequently, if the Settlement is approved, PECO customers will have experienced no increase in distribution base rates in five years. Moreover, prior to its 2010 electric base rate case, PECO had not filed for an increase in electric distribution base rates since July 1989.

Since filing its last electric base rate case in March 2010, PECO has been successful in controlling the increase in its operating and maintenance ("O&M") expenses. In fact, from 2010 to the levels reflected in the supporting data for the Company's FPFTY in this case, PECO will have limited the growth in its O&M expense to less than 1% annually (PECO St. No. 2, pp. 5-6). However, notwithstanding its efforts to control O&M expenses, other factors, discussed below, have created the need for PECO to increase its electric distribution base rates.

Significantly, between the end of the future test year in PECO's last base rate case (December 31, 2010) and the end of the historic test year in this case (December 31, 2014), PECO has invested approximately \$1.5 billion in new and replacement plant in service for its electric distribution operations (PECO St. No. 2, p. 2). Additionally, PECO will invest

approximately \$700 million in new and replacement electric distribution plant in 2015 and 2016.

Id. As a consequence, by the end of the FPFTY in this case, PECO's rate base will have increased by approximately one-third (from \$3.2 billion to \$4.1 billion) since its last base rate case (PECO St. No. 1, p. 5). As a result of the Company's investments, 2012, 2013 and 2014 were the best three years for PECO's electric reliability in each of the measures for which the Commission has established standards, as PECO's Senior Vice President and Chief Operating Officer, Michael A. Innocenzo, explained in his direct testimony (PECO St. No.1, pp. 11-12):

[S]ince the Company's last base rate proceeding in 2010, PECO's average number of service interruptions has decreased by 21 percent and the average time customers are without power has declined 24 percent as measured by the following Commission reliability metrics:

- **System Average Interruption Frequency Index ("SAIFI"):** The average number of sustained interruptions per customer during a year has improved from 1.09 interruptions (2010) to 0.86 interruptions (2014).
- **Customer Average Interruption Duration Index ("CAIDI"):** The average duration of interruptions that a PECO customer experiences during a year has improved from 126 minutes (2010) to 96 minutes (2014).
- **System Average Interruption Duration Index ("SAIDI"):** The sum of all sustained customer interruptions durations divided by the total number of PECO customers improved from 137 minutes (2010) to 82 minutes (2014).

According to the Commission's most recent annual report on electric service reliability in Pennsylvania, "PECO's performance is excellent based on their performance trends, which are significantly below benchmark." [Footnote omitted.] Specifically, in 2013, PECO ranked first among other large electric utilities for its twelve-month rolling CAIDI and SAIDI and second in terms of twelve-month rolling SAIFI. Moreover, PECO was the only large electric utility in Pennsylvania with reliability performance better than its baseline score prior to restructuring (i.e., 1994-1998 five-year average of annual system wide metrics) in every quarter in

2013. This trend of improvement in the key metrics of SAIFI, CAIDI and SAIDI is evidence of PECO's sound management of its electric distribution system.

While PECO has been making substantial investments in new and replacement electric plant to maintain and enhance service to customers, its overall load growth has actually been negative. Between 2011 and 2014, PECO's overall load growth declined by 0.6% on a compound annual basis, and declines in load occurred in all customer segments (PECO St. No. 2, p. 3). The decline in load growth occurred despite the addition of new customers due, in significant part, to energy efficiency and conservation measures that PECO implemented in response to the mandates imposed by Act 129 of 2008 ("Act 129"). *Id.*

The factors discussed above, namely, increased investment and declining load growth, have compromised the Company's ability to earn a fair return on its investment absent rate relief, notwithstanding its efforts to control its O&M expenses. On a pro forma basis, PECO's electric distribution operations are projected to produce an overall return on invested capital of 5.66%, and a return on common equity of only 6.21%, during the twelve months ending December 31, 2016 (PECO St. No. 2, p. 3). Those return levels are clearly inadequate, as Mr. Paul R. Moul points out in his direct testimony (PECO St. No. 5). Absent rate relief, PECO's financial results would deteriorate even further in 2017 and thereafter and could jeopardize its ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer service levels. It is particularly important for PECO to maintain and possibly improve its credit ratings because the electric distribution function is extremely capital intensive (PECO St. No. 2, p. 4). In fact, PECO projects that it will need to invest approximately \$1.7 billion in new and replacement electric delivery plant over the next five years. *Id.* Accordingly, it is important that PECO obtain the increased revenues that the Settlement will provide.

In light of the standards consistently applied by this Commission, the revenue requirement provisions of the Settlement are reasonable and in the public interest. In its Final Order approving the settlement of Aqua PA's 2009 base rate case, the Commission outlined the following general principles for assessing whether a settlement meets the public interest standard:¹²

The purpose of this investigation is to establish rates for Aqua customers which are "just and reasonable" pursuant to Section 1301 of the Public Utility Code (Code), 66 Pa.C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pennsylvania Gas and Water Co. v. Pennsylvania Pub. Util. Comm'n*, 341 A.2d 239 (Pa. Cmwlth. 1975). In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield* the United States Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

¹² *Pa. P.U.C. v. Aqua Pennsylvania, Inc.*, Docket No. R-2009-2132019, 2010 Pa. PUC LEXIS 1808 at *22-24 (Final Order entered June 16, 2010).

Neither the Public Utility Code nor principles of due process require the Commission to adhere to a specific formula or methodology to determine “just and reasonable” utility rates.¹³

Indeed, Pennsylvania appellate precedent¹⁴ holds, as follows:

[T]he power to fix “just and reasonable” rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term “just and reasonable” was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.

In short, “just and reasonable” rates, like the associated concept of a “fair return,” are not point values. Rather both “just and reasonable” rates and a “fair return” exist within a “constitutional range of reasonableness.”¹⁵ And, there are a variety of ways in which the parameters of the “constitutional range of reasonableness” can be determined. As long-standing Commission precedent establishes, one important way to identify an outcome that is within the acceptable “range” is through the settlement process. In that way, parties with differing interests engage in an adversarial process to scrutinize the evidence supporting a rate request and, based on robust negotiations, agree to a reasonable overall result.

Applying the ratemaking principles discussed above and the standards employed by the Commission for assessing settlements, the revenue level set forth in the Settlement is reasonable, in the public interest and should be approved. As previously explained, the interval since the Company’s last base rate case, the significant increase in its plant in service since that time, and

¹³ See *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 315-16 (1989) (“the Commission was not bound to the use of any single formula or combination of formulae in determining rates”), quoting *FPC v. Hope Natural Gas Co.*, 320 U.S. 591, 605 (1944).

¹⁴ *Pa. P.U.C. v. Pennsylvania Gas and Water Co.*, 492 Pa. 326, 337, 424 A.2d 1213, 1219 (1980).

¹⁵ *Duquesne Light Co.*, *supra*, 488 U.S. at 312. See also, *Pennsylvania Gas and Water Co.*, *supra*.

declining load growth, among other factors detailed in the testimony of PECO's witnesses, present a compelling case for significant rate relief.

Moreover, with respect to the *Bluefield*, *Hope*, and *Barasch* standards, the Settlement carefully balances: (1) the right of the Company and its investors “to earn a return on the value of the property which it employs for the convenience of the public” and “to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties”; with (2) the right of customers to pay rates that are commensurate with “business undertakings which are attended by corresponding risks and uncertainties” without providing the utility “profits . . . realized or anticipated in highly profitable enterprises or speculative ventures.”¹⁶ That balance is assured by the fact that parties legally obligated to protect consumers and the public interest vigorously investigated all aspects of the Company's proposed increase and concluded that the Settlement Rates are just and reasonable. Similarly, the Company carefully considered the proposed revenue increase in light of the obligation to its investors to secure a reasonable opportunity to earn a fair return, maintain the financial stability of its business, and obtain needed capital on reasonable terms. The Company concluded that the Settlement Rates satisfy those criteria. The careful balance of interests achieved by the Settlement avoids what could have been a significant expenditure of time, money and other resources by the parties and the Commission to individually resolve a number of issues and proposed adjustments that have now been subsumed by the inter-related compromises that led to the Settlement. Those savings are in everyone's interest and, in themselves, are another important reason why the Settlement promotes the public interest.

¹⁶ *Bluefield, supra.*

In addition to stating the net increase in annual operating revenue that the Settlement Rates will produce (Paragraph 14), the Joint Petition (Paragraph 15), as a limited exception to the “black box” nature of the Settlement, specifies that the Settlement Rates provide for recovery of \$7.0 million in annual operating expenses (\$7.6 million including Gross Receipts Tax on the recovered expense amount) for increased vegetation management. The Joint Petitioners separately identified this element of PECO’s revenue requirement because Paragraph 15 also includes the Joint Petitioners’ agreement that PECO will provide a status report with respect to its enhanced vegetation management initiative at two intervals – twelve and twenty-four months after its initiation. The information to be reported is delineated in Paragraph 15 of the Joint Petition.

B. Revenue Allocation And Rate Design (Joint Petition, Paragraph 16)

As required by the Commission’s filing requirements, PECO submitted a fully-allocated class cost of service study (“COS study”), which was prepared and sponsored by Alan B. Cohn (PECO St. No. 6 and PECO Exhibits ABC-2 through ABC-10). Mr. Cohn applied well-established cost of service principles and well-accepted COS study procedures to functionalize and classify the Company’s total cost of providing distribution service and to allocate the functionalized and classified costs among its major rate classifications (PECO St. No. 6, pp. 6-9). Consistent with the Commission’s practice and precedent, the costs of demand-related distribution assets were allocated among the rate classes based upon their respective class non-coincident peak (“NCP”) demands (PECO St. No. 6, p. 13).

Witnesses for I&E and the OSBA generally supported the results of the Company’s COS study, while witnesses for the OCA and PAIEUG proposed revisions to one or more subsidiary elements of the study. As Mr. Cohn explained (PECO St. No. 6-R), none of the revisions and

refinements other Joint Petitioners proposed were warranted nor would they necessarily have a major impact on the way the Company's proposed revenue increase would be allocated among major customer classes, as shown by the summary tabulation provided by OSBA witness Brian Kalcic in OSBA Schedule BK-1R accompanying his rebuttal testimony (OSBA St. No. 2).

Revenue Allocation (Joint Petition, Paragraph 16). Although complete agreement could not be reached among all the Joint Petitioners with respect to either the Company's COS study or the revisions and refinements to that study proposed by other parties, they all acknowledged that a COS study should be used as a guide, that rates should be designed to move all classes closer to their indicated cost of service, and that the Commission has long recognized that the movement toward cost of service should be tempered by the concept of gradualism in order to avoid large, disruptive, one-time increases to any particular customer class. That was the approach the Company employed to develop its proposed revenue allocation and rate design in this case, as explained by PECO witness Scott A. Neumann (PECO St. No. 7, pp. 3-4).

The allocation of the revenue increase under the Settlement Rates was subject to careful consideration and detailed negotiations among the Joint Petitioners. As a result, the Joint Petitioners were able to reach agreement on the allocation among customer classes of the revenue increase under the Settlement Rates that is depicted in Paragraph 16 of the Joint Petition. That allocation is within the range proposed by the Joint Petitioners and, more importantly, it provides for reasonable movement toward the system average rate of return by the various customer classes as measured by the Company's COS study. Accordingly, the revenue allocation effected by the Settlement Rates and depicted in Paragraph 16 of the Joint Petition is consistent with the Commonwealth Court decision in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Cmwlth. 2006). Moreover, as the Commonwealth Court recognized in pre-*Lloyd* decisions,

which were not disturbed by its holding in *Lloyd*, “there is no single cost of service study or methodology that can be used to answer all questions pertaining to costs”¹⁷ nor is there any “set formula for determining proper ratios among rates of different customer classes.”¹⁸

Rate Design (Joint Petition, Paragraph 17). The Joint Petitioners’ litigation positions regarding rate design differed somewhat from each other and from the Company’s proposed rates. The principal area of disagreement related to the level of PECO’s fixed distribution service charges (i.e., customer charges) and, in particular, the customer charges for the Residential class. As explained by Mr. Cohn, PECO’s proposed customer charge for the Residential class was supported by the same type of customer cost analysis that the Commission approved in PPL’s 2012 base rate case¹⁹ as the basis for the customer charges it adopted there (PECO St. No. 6-R, pp. 13-19; PECO St. No. 6-SR, pp. 3-4). As part of the Settlement, the Joint Petitioners have agreed that the Residential customer charge should be \$8.45 per month in lieu of a charge of \$12.02 per month proposed by the Company (Joint Petition, Paragraph 17 and Appendix E). The Residential customer charge is fully supported by the detailed analysis of customer-related costs conducted by Mr. Cohn, who followed the approach approved in PPL’s 2012 base rate case. That analysis shows that the customer related costs for the total Residential class support a customer charge of \$16.97 per month (PECO Exhibit ABC-6).

PECO also proposed to eliminate the existing kWh-based distribution charges for Rates GS, EP, PD and HT and recover all costs not recovered in the fixed distribution service (customer) charges through a kW demand charge (PECO St. No. 7, pp. 7-10). As PECO witness Neumann explained, the electric distribution system is designed and constructed to meet

¹⁷ *Executone of Philadelphia, Inc. v. Pa. P.U.C.*, 415 A.2d 445, 448 (Pa. Cmwlth. 1980).

¹⁸ *Peoples Natural Gas Co. v. Pa. P.U.C.*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979).

¹⁹ *Pa. P.U.C. v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597 (Recommended Decision issued October 19, 2012), pp. 116-120; (Final Order entered December 28, 2012), pp. 124-132).

customers' demand, which is the immediate rate at which electricity is being consumed at one point in time, which is measured in kilowatts (kW). Consequently, the costs of the distribution system do not vary based on usage, which reflects the total amount of electricity consumed over a given duration, such as a billing month, and which is measured in kilowatt hours (kWh). *Id.* Therefore, consistent with the principle that rates should reflect cost causation, the cost of the distribution system that is not recovered through the fixed distribution service charge should be recovered on the basis of demand through a kW-based demand charge. *Id.* This element of PECO's proposed rate design was accepted by the Joint Petitioners and is reflected in the Settlement Rates. Notably, this rate design has already been adopted by other Pennsylvania utilities, which, with the Commission's approval, have moved to demand-only rates for commercial and industrial customers. *See* PECO St. No. 7, pp. 8 and 19.

Reasonableness of the revenue allocation and rate design provisions of the Settlement. Every rate proceeding consists of two parts. First, the overall revenues to which a utility is entitled must be determined. The second part of the process must determine how much of the total revenue requirement each rate class should bear. The allocation of revenue responsibility can be one of the more contentious parts of a rate proceeding because it is a "zero sum" exercise among the non-utility parties – any revenue responsibility not borne by a particular rate class must be borne by one or more other rate classes. While cost of service studies are the touchstone for reasonable allocations of revenue responsibility among rate classes,²⁰ the Commission has often stated that cost of service analyses must reflect the exercise of judgment and are as much a matter of art as of science.²¹ For that reason, Pennsylvania appellate courts have repeatedly held that the Commission, in crafting a reasonable rate structure,

²⁰ *See Lloyd v. Pa. P.U.C., supra.*

²¹ *See Pa. P.U.C. v. Philadelphia Suburban Water Co., 75 Pa. P.U.C. 391, 440 (1991).*

is “invested with a flexible limit of judgment” and may establish just, reasonable and non-discriminatory rates within a “range of reasonableness.”²²

Thus, establishing a reasonable revenue allocation requires a careful balancing of the countervailing interests of the non-utility parties representing the various customer classes. Accordingly, this aspect of a rate proceeding is particularly well suited to achieving a reasonable overall outcome based on the give-and-take of the settlement process. That is precisely what occurred in this case, which resulted in a complete settlement of all contested issues involving revenue allocation and rate design among a wide array of parties representing the interests of residential, commercial, industrial and lighting customers.

While settlement negotiations among parties representing a wide array of customer and stakeholder interests can, in itself, assure a reasonable outcome, the revenue allocation under the Settlement Rates also comports with well-accepted ratemaking principles. As previously explained, although some parties proposed revisions and refinements to the Company’s COS study, the Joint Petitioners are in general agreement that the Settlement Rates make appropriate progress in moving all classes closer to their cost of service consistent with the principle of gradualism.

With respect to rate design, the Settlement Rates reflect the need to recover the customer component of total cost of service in the customer charge, while recognizing that increases in the customer charges can impact low-usage customers. Accordingly, the Settlement Rates provide for an increase in the Company’s residential customer charge, but in a lesser amount than the customer charge the Company originally proposed.

²² *U.S. Steel Corp. v. Pa. P.U.C.*, 37 Pa. Cmwlth., 173, 187, 390 A.2d 865, 872 (1978).

For all the foregoing reasons, the proposed revenue allocation and rate design are reasonable, appropriately balance the interests of all parties, and are in the public interest.

C. In-Program Arrearage Forgiveness (“IPAF”) Cost Recovery (Joint Petition, Paragraph 18)

The factual and legal background for this provision is set forth in detail in Section I of Appendix C. As explained in Appendix C, the resolution set forth therein arose as a result of a change in the form of PECO’s customer assistance program (“CAP”) to a Fixed Credit Option (“FCO”) designed to increase the affordability of service to PECO’s low-income customers. However, customers who participate in PECO’s existing CAP program have accumulated approximately \$45 million in “in-program arrearages” – that is amounts that those customers have been billed since they entered the CAP program, but which they have not paid.

The Joint Petitioners recognized that, when PECO implements its FCO program in October 2016, the collection of all of the \$45 million of in-program arrearages from CAP customers with such arrearages will create substantial challenges to the success of the FCO program due to the potential impacts those collection efforts would have on affordability. Consequently, the Joint Petitioners have agreed to an IPAF program that will materially decrease the obligation of PECO’s CAP customers to pay the accumulated \$45 million of in-program arrearages, which reflects their belief that PECO’s transition from its current CAP program to its FCO program presents a unique opportunity to improve affordability for PECO’s CAP customers. The details of the approach to which the Joint Petitioners have agreed are set forth in in Appendix C.

In broad summary, PECO has agreed that it will write-off one-third of the in-program arrearages and not seek rate recovery of that one-third. The other parties have agreed that PECO may recover the remaining two-thirds of the arrearages, as a transition cost associated with

moving to the FCO, through a combination of CAP customer payments and rate recovery, as set forth in detail in Appendix C. Sections II through IV of Appendix C provide detailed and comprehensive procedures for implementing the agreement among the parties, including Exhibits 1-3, which provide examples of the detailed calculations under illustrative, but reasonable, factual scenarios.

Appendix C deals with a difficult issue that was resolved through the collaboration of the parties on a practical, reasonable and innovative basis that, in all probability, could not have been achieved in a litigated proceeding. The resolution achieved by the Settlement is in the interest of affected CAP customers, non-CAP customers and the Company and, therefore, is also in the public interest.

D. Capacity Reservation Rider (“CRR”) (Joint Petition, Paragraph 19)

As part of its initial filing in this case, PECO proposed to eliminate its existing Auxiliary Service Rider (“ASR”) and replace it with a proposed CRR (PECO St. No. 7, p. 11). Mr. Neumann explained why PECO proposed this change:

The ASR was developed before electric deregulation occurred and, therefore, reflects a methodology for cost recovery that assumed the Company would be providing “bundled” service, including generation. Obviously, that is no longer the case. In PECO’s last base rate case, the only modification to the ASR was to the rates for Backup and Standby service.

* * *

[Under the ASR] the Company had to keep large amounts of distribution capacity in reserve in case these customers needed it. Holding large amounts of capacity in reserve is expensive and PECO did not obtain adequate cost recovery through the ASR. In short, other customers without generation were subsidizing the costs that should have been recovered under this rider. In this case, PECO is proposing to replace the ASR with a Capacity Reservation Rider.

The new rider will offer more flexible options to reserve distribution capacity and will establish rates for each option that properly align with the costs of the service being provided. The new name reflects the true purpose of the rider which is to reserve capacity on the distribution system for future use. Customers that have generation that runs in parallel with PECO's system and have demands between 100 kW and 10,000 kW must reserve capacity equal to the capacity nameplate rating of their generators. The rider will not apply to a customer whose generation is less than 100 kW. Current loads of less than 100 kW, in the aggregate, have little impact on capacity planning and there is no present need for these customers to reserve distribution capacity. Customers who have generation in excess of 10,000 kW will be required to enter into a special contract with PECO covering capacity and special service requirements. Tariff Rule 3.7 – Non-Standard Service and Tariff Rule 4.6 – Special Contracts provide the Company authority to enter into such special contracts. PECO also has received inquiries from customers without generation who want to reserve distribution electric capacity for new businesses and future expansion opportunities. The new rider will allow the Company to address these customers' requests.

PECO also proposed that the requirements of the CRR would not apply to customers with on-site generation served under the existing ASR until PECO's next base rate case (PECO St. No. 7, p. 13).

At the public meeting of the Commission held on April 23, 2015, when the Suspension Order was issued in this case, Chairman Gladys M. Brown and Commissioner Robert F. Powelson issued a Joint Statement in which they directed eight questions to the parties pertaining to PECO's proposal to replace its ASR with the CRR (see PECO Exhibit SAN-8, which is a copy of the Joint Statement). In response to the Joint Statement, PECO submitted the supplemental testimony of Mr. Neumann (PECO St. No. 7S and PECO Exhibits SAN-8 through SAN-12). Mr. Neumann summarized the Company's responses to the questions posed by the Joint Statement, as follows:

PECO has approximately 2800 customers with renewable generation and 36 customers with non-renewable distributed

generation on its system. (See Responses to Question Nos. 1 and 6.) PECO currently keeps capacity available to serve the load of its customer/generators if and when those generators go offline; this is an integral part of the safe operation of its distribution system. (See Response to Question No. 5.) The amount of reserved capacity and cost of providing it are the same, regardless of whether the capacity supports a planned or unplanned generation outage. (See Response to Question No. 6.) In PECO's current rate structure, the customer/generator does not pay the full cost of providing this reserved capacity; instead, the costs are paid in part by other customers in the class (intra-class subsidization) and customers in other rate classes (cross-subsidization). (See Response to Question No. 2).

PECO has been taking steps for several years to reduce or eliminate subsidization and cross-subsidization. One such step occurred in PECO's 2010 Electric Base Rate Case, when PECO, with Commission approval, began the phase-out of discounted rates for standby and backup service to generators. (See Response to Question No. 8). The primary purpose of the proposed CRR is to eliminate the remaining subsidization and cross-subsidization. (See Response to Question No. 2).

PECO expects that the CRR will have minimal effect on its existing distributed generation customers. For distributed generators, the CRR could eventually increase the customer's distribution capacity charges by approximately 3.6%-13.6%, depending upon the operating profile of a customer's generating unit. This equates to an increase of approximately 0.47%-1.77% on a total bill basis. Customers with generating systems that operate continuously as base-load units would see an increase at the higher end of that range. (See Responses to Question Nos. 1 and 4). For solar generators, the CRR is not expected to increase the customer's capacity costs. (See Response to Question No. 1.)

PECO also expects that the CRR will have a minimal effect on the construction of new distributed generation in its service territory. For combined heating and power ("CHP") generation, the CRR is expected to add between 0 and 1.25 years to the simple payback period to recover the initial investment in the CHP project. For renewable generation, the CRR is expected to add 0.0 – zero – years to the simple payback period. These results were modeled and tested across a wide variety of sensitivity iterations. (See Response to Question No. 3).

The Company's CRR proposal was fully supported by I&E. The OCA and OSBA did not oppose the CRR proposal. Other parties – principally those that have, or might in the future construct, behind-the-meter generation as well as TASC, which is a trade association for vendors of customer-owned solar generation – opposed aspects of the CRR and proposed revisions to address their concerns. *See, e.g.*, PAIEUG St. No. 1, pp. 22-31; TASC St. No. 1, pp. 21-24; GSA St. No. 1, pp. 5-11.

As a result of extensive negotiations, the Joint Petitioners agreed to revisions to the Company's CRR proposal that fully addressed all of the concerns expressed by parties that had initially objected to the CRR. The agreed upon revisions are incorporated in the detailed terms and conditions for the CRR that are set forth in Appendix D. Additionally, Appendix D reflects revisions and refinements to PECO's initial proposal to establish a minimum demand equal to 40% of contract demand for customers with load in excess of 500 kW, including revisions with respect to the application of this provision to Rate GS customers with customer-sited generation.

As demonstrated in the supplemental and rebuttal testimony of Mr. Neumann and accompanying exhibits (PECO St. Nos. 7S and 7-R), the CRR as initially proposed by PECO would not have had an adverse effect on the development of customer-sited solar generation, customer-owned combined heat and power generation, or any other form of behind-the-meter generation. The revisions adopted in the Settlement include provisions that supplement and reinforce that outcome while still acknowledging and establishing the value of the distribution system to customers with behind-the-meter generation and providing an appropriate mechanism for assuring that customers with their own behind-the-meter generation pay their appropriate share of the cost of the distribution that they rely upon to meet their demands notwithstanding their on-site generation.

E. Tax Repair Deduction Refund (Joint Petition, Paragraph 20)

The background for this provision is set forth in the rebuttal testimony of PECO witness Shuo Yin (PECO St. No. 3-R, pp. 33-35). This provision relates to Paragraph 7.E. of the Joint Petition for Partial Settlement of Rate Investigation in PECO's 2010 electric base rate case where PECO had agreed to provide a bill credit to customers to refund the tax reductive effect of a "catch-up" deduction to which it would be entitled by reason of electing, after the end of the 2010 case, to change its method of tax accounting. Specifically, the election would permit certain expenditures that were made in the past and had been capitalized and depreciated for tax purposes to be reclassified as "repair" expenses that qualified for deduction in their entirety in the year they were incurred.²³ PECO made the election and, pursuant to the terms of the settlement in its 2010 electric base rate case, began issuing tax repair bill credits to customers beginning in 2012. The bill credit provides customers the revenue requirement effect of a seven-year amortization of the reduction in income taxes attributable to the catch-up deduction for electric distribution operations. By the end of the FPFTY, five years' of amortization of the tax reduction will have been completed, and \$24.868 million will remain unamortized (PECO St. No, 3-R, p. 35).

Pursuant to Paragraph 20 of the Joint Petition, PECO is committing to continue to refund the reductive effect of the tax repair "catch up" deduction through customer bill credits in the same manner it is currently calculating and refunding that deduction, as set forth in Paragraph 7.E. of the Joint Petition for Partial Settlement of Rate Investigation at Docket No. R-2010-2161575, except that, starting on the effective date of the Settlement Rates, the bill credit

²³ The election also permits on-going expenditures that would have been capitalized for tax purposes under the prior method of tax accounting to be deducted as repair expenses. The "catch-up" deduction related only to the reclassification for income tax reporting purposes of pre-election expenditures.

will reflect 6% simple interest on the monthly unamortized balance of the tax-effected catch up deduction.

F. FPFTY Reports (Joint Petition, Paragraph 21)

In its initial filing, PECO developed its FPFTY revenue requirement employing plant in service balances and other rate base elements projected as of the end of the FPFTY (December 31, 2016). I&E, through the testimony of its witness, Kokou M. Apetoh (I&E St. No. 3, pp. 2-9), accepted the use of plant balances and other rate base elements projected as of the end of the FPFTY for ratemaking purposes as consistent with the amendments to the Public Utility Code made by Act 11 of 2012 that authorized the FPFTY. Mr. Apetoh also proposed that PECO provide updates, similar in form to PECO's response to I&E Interrogatory (Set V) No. RB-25, setting forth PECO electric division's actual capital expenditures, plant additions and retirements by month for the twelve-month periods ending December 31, 2015 (the end of the future test year) and December 31, 2016 (the end of the FPFTY). PECO has agreed to provide such updates, as set forth in more detail in Paragraph 20 of the Joint Petition.

G. Distribution System Improvement Charge ("DSIC") (Joint Petition, Paragraph 22)

At the same time PECO filed its electric distribution base rate case, it also filed a Petition seeking approval of a Long-Term Infrastructure Improvement Plan and the authorization to include a DSIC mechanism in its tariff, which was docketed at P-2015-2471423. Paragraph 22 of the Joint Petition provides that, if PECO's DSIC is approved by the Commission, PECO will be eligible to include plant additions in its DSIC once eligible account balances exceed the levels projected by PECO at December 31, 2016. While this provision is consistent with the adoption and approval of a rate base reflecting plant in service balances as of December 31, 2016,

Paragraph 22 expressly provides that the foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected plant additions to be included in rate base for a FPFTY in rate filings.

H. Depreciation Rates (Joint Petition, Paragraph 23)

The depreciation rates employed by the Company to calculate depreciation expenses as set forth in PECO Exhibit SY-1 were not challenged in this case by any party. The Joint Petitioners acknowledge and agree that those depreciation rates are appropriate for ratemaking purposes in this case and that PECO will use such depreciation rates to calculate the depreciation expense it records on its regulated books of account.

I. Smart Meter Costs (Joint Petition, Paragraph 24)

In its initial filing, PECO proposed to roll-in to base rates the costs recoverable under its Smart Meter Cost Recovery Surcharge (“SMCRS”) (PECO St. No. 8, pp. 9-10). No party disagreed with PECO’s proposal. Accordingly, the Settlement specifically provides for the roll-in to base rates of PECO’s SMCRS and provides further that the SMCRS will remain in place as the mechanism for refunding or recouping, as applicable, any over collection or under collection balance that may exist as of the effective date of the Settlement Rates.

J. Revenue Decoupling Collaborative (Joint Petition, Paragraph 25)

KEEF witness Brendon Baatz (KEEF St. No. 1, pp. 29-36) proposed that the Commission consider initiating a formal investigation to address authorizing “revenue decoupling” for electric distribution companies or, in the alternative, to direct the initiation of a “working group” to study revenue decoupling.²⁴ Mr. Baatz defined “revenue decoupling” as “periodically making small

²⁴ PECO moved to strike this portion of Mr. Baatz’s testimony. PECO withdrew its Motion, without prejudice, based on reaching a complete settlement in this case. *See* Joint Petition, ¶ 11.

adjustments to the utility's rates in response to deviations in sales from sale forecasts." *Id.* at 30. In response to KEEF's proposal, the Joint Petitioners, excluding I&E and PAIEUG, have agreed that, on or before March 1, 2016, PECO will hold a collaborative, open to all interested participants, to seek input regarding revenue decoupling. The Joint Petitioners also agreed that, in the collaborative, all participants may reserve their right to raise any and all arguments and positions in the collaborative, of the Commission, including opposing the implementation of decoupling in whole or in part. As noted, I&E and PAIEUG opposed KEEF's proposals on the record and, in addition, do not join in this provision of the Settlement.

K. Interconnection Of Customer-Owned Generation (Joint Petition, Paragraphs 26 and 27)

TACS witness, Steven Gabel (TASC St. No. 1, pp. 24-33) offered several recommendations intended to facilitate the interconnection of customer-owned generation. PECO witness Richard A. Schlesinger (PECO St. No. 8-R, pp. 8-13) responded to Mr. Gabel's testimony by explaining that his recommendations were unwarranted or, in some instances, had been largely implemented already by PECO.²⁵ Following discussions and negotiations, the Joint Petitioners achieved an agreement on these matters pursuant to which PECO will implement a further enhancement to its terms and conditions for interconnection of customer-owned generation, as set forth in Paragraph 26 of the Joint Petition, and PECO will provide reports on its interconnection processing to the Commission semi-annually, as set forth in Paragraph 27 of the Joint Petition.

²⁵ PECO also moved to strike this portion of Mr. Gabel's testimony. PECO withdrew its Motion, without prejudice, based on reaching a complete settlement in this case. *See* Joint Petition, ¶ 11.

III. SUMMARY: THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement, both in its specific terms and viewed holistically, is reasonable, supported by record evidence, and is in the public interest for, among others, the following principal reasons:

- The revenue requirement provisions provide for Settlement Rates that are within the “constitutional range of reasonableness”²⁶ and are consistent with the legal standards articulated in the *Bluefield*, *Hope* and *Duquesne Light* decisions, as interpreted and applied by the Pennsylvania Supreme Court in *Pennsylvania Gas and Water*. The Settlement Rates reflect a careful balance of the interests of customers with those of the Company and its investors. As such, the Settlement Rates protect customers from paying excessive rates while allowing the Company and its investors a reasonable opportunity to earn a fair return on their investment in property devoted to public service and to obtain additional capital needed to meet the Company’s service obligations. *See* Section II.A., *supra*.
- The rate structure and rate design provisions of the Settlement resolve a number of contentious issues in a manner that is acceptable to parties representing every major customer class and service classification. While the parties could not agree to a single, specific cost of service methodology, they are in general agreement that the Settlement Rates provide for reasonable progress in moving all major customer classes closer to their cost of service consistent with the Commission-approved principle of gradualism. *See* Section II.B., *supra*.

²⁶ *See Duquesne Light, supra*.

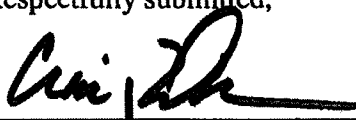
- The Settlement resolves various contested issues, including, in particular, those pertaining to the Company's enhanced vegetation management initiative, its CAP/FCO program and IPAF, the CRR, and its tax repair deduction refund, in a manner that is fair to the various stakeholders involved and provides a reasonable resolution. *See* Sections II.A., C., D. and E., *supra*.
- In reaching this Settlement, the Joint Petitioners thoroughly considered all issues, including those raised in the testimony and evidence presented by the parties to this proceeding and during public input hearings. As a result of that consideration, the Joint Petitioners believe that the Settlement meaningfully addresses all such issues and, therefore, should be approved without modification.
- All of the foregoing benefits are achieved while also conserving the time, resources and money that would otherwise have to be expended if this case were to be fully litigated. Customers are direct beneficiaries of these savings.

IV. CONCLUSION

For the reasons set forth above and in the Joint Petition, PECO submits that the Settlement is a fair and reasonable compromise that is fully supported by the record evidence. Accordingly, the Company respectfully requests that the Administrative Law Judge and the Commission: (1) approve the Settlement without modification; (2) find that the Settlement Rates are just and reasonable; and (3) grant the Company permission to file the tariff attached to

the Joint Petition as Appendix A to become effective for service rendered on and after January 1, 2016.

Respectfully submitted,



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Counsel for PECO Energy Company

Date: September 10, 2015

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STATEMENT B

Statement in Support of Joint Petition for Settlement of the Bureau of Investigation & Enforcement

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 v. : **Docket No. R-2015-2468981 *et al.***
 :
PECO ENERGY COMPANY - :
ELECTRIC DIVISION :

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE ANGELA T. JONES:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through Prosecutors, Jennedy S. Johnson, Colin W. Scott and Philip C. Kirchner, hereby respectfully submits that the terms and conditions of the foregoing *Joint Petition for Settlement of Rate Investigation* (Joint Petition, Settlement Agreement or Settlement) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of PECO Energy Company – Electric Division (PECO or Company) and its customers. The parties to this Settlement Agreement have conducted extensive formal and informal discovery and have participated in numerous Settlement Conferences. The extensive discussions and sharing of information has

culminated in the submission of the attached Settlement Agreement. The request for approval of the *Joint Petition for Settlement of Rate Investigation* is based on I&E's conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

The Bureau of Investigation and Enforcement is of the opinion that the terms and conditions of the Joint Petition are in the public interest. In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape Regarding Public Utilities

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 Pa.PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 Pa.PUC 767, 771 (1991).

the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure (e.g., substations, poles, lines, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural monopoly as the sole service provider in the extended geographic service territory.⁴ In order to protect consumers, the public utility's rates and services are regulated.⁵ Price regulation strives to replicate the results of effective competition.⁶

As a public utility, an electric distribution company (EDC) shall provide just and reasonable rates to customers receiving electric service in the Commonwealth of Pennsylvania.⁷ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁸ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereto.⁹

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961) at 3-14; 66 Pa.C.S. § 102.

⁴ *Principles of Public Utility Rates*, at 3-14; 66 Pa.C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

⁵ *Principles of Public Utility Rates*, at 3-14; 66 Pa.C.S. §§ 1301, 1501.

⁶ See *Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

⁷ 66 Pa.C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944) (*Hope*).

⁸ *City of Lancaster v. Pennsylvania Public Utility Commission*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); see also *Hope*, 320 U.S. at 602-603.

⁹ 66 Pa.C.S. § 1501.

Utility Code and Commission regulations and orders.¹⁰ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters and to enforce compliance with the Public Utility Code.¹¹ By representing the public interest in rate proceedings before the Commission, I&E works to balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹²

C. Procedural History

On March 27, 2015, PECO Energy Company (Respondent, Company or PECO), Utility Code 110550, filed proposed Tariff Electric-PA. P.U.C. No. 5 to become effective on May 26, 2015. PECO proposed that Tariff No. 5 supersede Tariff Electric-PA. P.U.C. No. 4 and all supplements thereto. Tariff No. 5 set forth proposed rates designed to produce an increase in PECO's annual distribution revenue of approximately \$190 million, or 15.6% above existing distribution revenues. The proposed increase represented a 4.4% increase over PECO's total present revenues (distribution, transmission and default service generation).

On April 23, 2015, the Commission entered an Order instituting an investigation into the lawfulness, justness and reasonableness of the Company's proposed rates. Pursuant to 66 Pa.C.S. Section 1308(d), proposed Tariff Electric-PA. P.U.C. No. 5 was

¹⁰ Act 129 of 2008, 66 Pa.C.S. § 308.2(a)(11); 66 Pa.C.S. § 101 *et seq.*; 52 Pa.Code § 1.1 *et seq.*

¹¹ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

¹² See 66 Pa.C.S. §§ 1301, 1304.

suspended by operation of law until December 26, 2015, unless otherwise directed by Order of the Commission.

The Commission assigned the Company's filing to the Office of Administrative Law Judge (OALJ) for the development of an evidentiary record culminating in a Recommended Decision (RD). The OALJ subsequently assigned the suspended proceeding to Administrative Law Judge Angela T. Jones for investigation and scheduling of hearings to consider the lawfulness, justness and reasonableness of the Company's rate increase request.

Pursuant to its charge to represent the public interest in matters impacting rates, I&E filed its initial Notice of Appearance on April 7, 2015. The I&E appearance was preceded by the Formal Complaint of the Office of Consumer Advocate (OCA) dated April 6, 2015. The Office of Small Business Advocate (OSBA) filed its Formal Complaint on April 16, 2015. Petitions to Intervene were filed by the following: Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) on April 9, 2015; the Tenant Union Representative Network (TURN) and the Action Alliance of Senior Citizens of Greater Philadelphia (Action Alliance) on April 20, 2015; the City of Philadelphia (April 23, 2015); the Clean Air Council (CAC) on May 1, 2015; Philadelphia Area Industrial Energy Users Group (PAIEUG) on May 6, 2015; The Alliance for Solar Choice (TASC) on May 7, 2015; and United States General Services Administration (GSA) on May 8, 2015. In addition, a Formal Complaint was filed by William B. Kazimer at Docket No. C-2015-2481825 on May 8, 2015.

A Prehearing Conference was held on May 11, 2015, at which time a procedural schedule was established and the aforementioned Petitions to Intervene were granted. The procedural schedule included filing dates for written Direct, Rebuttal, and Surrebuttal Testimony and Main Briefs and Reply Briefs, as well as dates for Evidentiary Hearings.

Subsequent to the Prehearing Conference, Petitions to Intervene were filed by National Resources Defense Council (NRDC) on May 12, 2015; Keystone Energy Efficiency Alliance Energy Education Fund (KEEF) on June 1, 2015; and the Environmental Defense Fund (EDF) on June 22, 2015.

On May 22, 2015, PECO filed Supplemental Direct Testimony regarding its proposed Capacity Reservation Rider in response to the directed questions posed in the April 23, 2015 Joint Statement of Chairman Brown and Commissioner Powelson. Five Public Input Hearings were held in the PECO service territory from June 8, 2015 to June 15, 2015. In accordance with the procedural schedule set forth in Prehearing Conference Order #3, dated May 14, 2015, the following Non-Company parties filed Direct Testimony on June 23, 2015: I&E, OCA, OSBA, the City of Philadelphia, TASC, TURN and Action Alliance, PAIEUG, KEEF, CAC, GSA and EDF. On July 21, 2015, PECO, OCA, OSBA, and PAIEUG filed Rebuttal Testimony. On August 4, 2014, Surrebuttal Testimony was filed by I&E, PECO, OCA, OSBA, PAIEUG, KEEF, and TASC.

On August 11, 2015, the parties informed the ALJ that they had reached a settlement in principal. The first three days of hearings were cancelled. On Friday August 14, 2015, a hearing was held for the purpose of moving the Parties' pre-filed

written testimony into the record. At that time, all testimony was entered save for that of EDF, whose counsel did not appear. The parties also filed verifications to the testimony in lieu of presenting witnesses. The record closed on August 25, 2015, when the last verification was filed.¹³

II. DISCUSSION

In accordance with the Commission's policy at 52 Pa. Code Section 5.231 that encourages settlements over costly and time consuming litigation, the parties were successful in achieving a Settlement Agreement of all issues through comprehensive discovery and several settlement conferences and calls.

A. Revenue Requirement (Joint Petition ¶¶ 14, 15)

The proposed Settlement will allow PECO to file new tariff rates designed to provide an overall distribution base rate increase of \$127 million in electric operating revenues for service rendered on or after the Commission enters an Order approving the Settlement, instead of the Company's requested \$190 million increase. This results in an overall increase of 2.95% compared to the Company's requested 4.4% in total annual electric operating revenues. The parties to the Joint Settlement have agreed upon the \$127 million in additional annual electric distribution revenues as a Black Box settlement, subject to a few specific provisions that affect rate design and the setting of rates in the future. The terms of the Settlement provide that the increase may go into effect on January 1, 2016.

¹³ I&E requested, and was granted, an extension to file the verification of its witness Justice Dagadu who was away on military leave. Mr. Dagadu's verification was filed on August 25, 2015.

Based on I&E's analysis of the Company's filing and discovery responses received, the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event that the case was fully litigated. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is both just and reasonable and in the public interest.

As noted above, the additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a Black Box settlement with limited exceptions. A Black Box agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A Black Box settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. The involvement of the ALJ would have added time and expense to an already cumbersome proceeding. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with this filing at a reasonable level. The previous Chairman of the Commission has commented on Black Box settlements and stated that the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible.

Black Box settlements are an integral component of the process of delivering timely and cost-effective regulation.”¹⁴

This increased level of Black Box revenue adequately balances the interests of ratepayers and the Company. PECO will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. The negotiated compromise represents approximately 66.8% of the Company’s filed request. Mitigation of the level of the rate increase benefits ratepayers and results in rates that satisfy the regulatory standard. As such, this element supports the standard for approval of a settlement as the resulting rates are just and reasonable and in accordance with the Public Utility Code and all pertinent case law.

B. Allocation and Rate Design (Joint Petition ¶¶ 16, 17, Appendix E)

The allocation of rate increase among the customer classes was a significant issue in this proceeding. The Company proposed to increase residential rates by \$124.8 million (for the R and RH classes, combined) of the originally requested \$190 million.¹⁵ Under the Settlement, residential customers will pay \$84.4 million of the agreed upon \$127 million increase. This will result in a distribution increase for residential customers of 10.9% as compared to the Company’s originally proposed 16.1% increase.

¹⁴ See Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (Order entered January 13, 2011). See also Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, Pennsylvania*, Docket No. R-2010-2172665 (Order entered January 13, 2011).

¹⁵ PECO Exhibit SAN-1.

In this proceeding, PECO provided a customer cost analysis, at PECO Exhibit ABC-6, that claims greater costs incurred by the Company to serve each customer class than the customer cost analysis prepared by I&E witness, Kokou Apetoh.¹⁶ Witness Apetoh testified that customer charges should reflect the true fixed cost incurred by a utility.¹⁷ Mr. Apetoh specifically addressed PECO's proposal to increase the fixed monthly costs for the residential customer class and the general services customer class. It is important to allow the utility to recover only those direct monthly costs that vary with the addition or loss of a customer through the Customer Charge. This charge provides the Company with a steady, predictable level of income that will allow for the proper maintenance and upkeep of the system. Establishing the proper customer charge protects ratepayers by ensuring that PECO is not being overcompensated. Moderating the requested increase in this proceeding also benefits ratepayers as it allows them to reap a greater portion of the benefit of conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage. Designing rates to allow customers to have greater control of their electric bills is in the public interest.

PECO proposed to increase the Rate R monthly Customer Charge from its current rate of \$7.13 to \$12.00, an increase of approximately 68% for residential customers.¹⁸ I&E disagreed with such a large increase in the fixed Customer Charge.¹⁹ Under the

¹⁶ I&E Exhibit No. 3, Schedule 5 at p. 2.

¹⁷ I&E Statement No. 3 at 26.

¹⁸ PECO Statement No. 7 at p. 7; Settlement Agreement Appendix E.

¹⁹ I&E Statement No. 3 at 26-27.

Settlement, the Company agreed to set the residential Customer Charge at \$8.45 per month. I&E supports the Settlement, which moderates the increase in the Customer Charge for residential customers.

PECO also proposed to increase the monthly Customer Charge for single phase service with demand measurements – GS customers, from \$16.38 to \$18.60, an increase of \$2.22 or 13.53%.²⁰ Pursuant to the Settlement, the Company agreed to a single phase service with demand measurement charge of \$18.20.²¹ I&E supports this Settlement term as its witness Mr. Apetoh proposed a similar increase due to the results of his customer cost analysis, which indicated that the costs incurred by the Company per month to serve each of these GS customers were more than were being collected.²²

Based on I&E’s review of the cost of service studies presented in this proceeding, and specifically the customer cost analysis, I&E views the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case. Further, the mitigated level of Customer Charge demonstrates a compromise of the interests of the parties. As such, these provisions are in the public interest.

C. Capacity Reservation Rider (Joint Petition ¶ 19, Appendix D)

The Settlement Agreement includes provisions addressing the implementation of the Company’s Capacity Reservation Rider (CRR), which was proposed to replace PECO’s antiquated Auxiliary Service Rider (ASR). The ASR covers Distributed

²⁰ Company Tariff Electric-PA. P.U.C. No. 5 at 49.

²¹ Settlement Agreement Appendix E.

²² I&E Statement No. 3 at 28.

Generation (DG) customers and was implemented when electricity generation, transmission, and distribution were bundled together, which is no longer the case. Deregulation has effectively rendered the ASR obsolete and created subsidization within and between classes of PECO's ratepayers.²³ The primary impetus for the CRR is that PECO incurs expenses by continuously holding and maintaining capacity for DG customers whether or not that capacity is actually used. The costs for this load is not paid for by the DG customers, but rather is socialized over multiple classes of customers.²⁴

To address this issue, the Company proposed the CRR, which would apply *only* to new DG customers or existing DG customers that propose increases in capacity reservation, through which PECO will begin gathering key information and data pertaining to DG generation customers and the actual costs incurred to serve them. As I&E witness Apetoh explained, this information will allow the Company to appropriately assess the best corrective measures, if any, to be taken in PECO's next base rate filing.²⁵

Concurrent with the April 23, 2015 Order suspending the instant rate case for investigation, Chairman Gladys M. Brown and Commissioner Robert F. Powelson issued a Joint Statement in which they asked a series of eight questions regarding the Company's CRR proposal. In his Direct Testimony, I&E witness Apetoh answered the two questions (question 1 and question 4) that addressed the impact of the Company's

²³ I&E Statement No. 3 at 37 *citing* PECO Statement No. 7.

²⁴ *Id.* at 38, lines 3-6 *citing* PECO Statement No. 7S.

²⁵ *Id.* at 42-43. It is worth noting that witness Apetoh calculates that the CRR, if applied to PECO's *existing* customers, would affect only 116 of the Company's 2,836 DG customers (or 4.1%). *Id.* at 37. Additionally, he calculates the total bill impact to these customers to be between 0.47% and 1.77%. *Id.* at 40.

CRR proposal on customers and rates. Mr. Apetoh's answers can be found in I&E Statement No. 3 at 39-42.

The Settlement modifies the Company's original CRR proposal while maintaining and clarifying the most vital aspect of the proposal – data collection – and providing penalties sufficient to ensure the reliability and security of the system as a whole. The CRR will function similarly to a pilot program, and the information gathered between the time of the implementation of the CRR and the Company's next base rate filing will allow a full evaluation of the viability of future proposals to address this subsidization, including the need for the CRR itself.²⁶ The specific information to be gathered includes that proposed by I&E witness Apetoh regarding the cost of any reserved capacity and revenue received from the CRR, as well as data regarding coincident peaks of customer generation, the distribution system costs associated with transmission transformation service and intermittent renewable generation, and the usage patterns for DG customers.²⁷ This information should allow for a more complete delineation of the reserve capacity costs in the Cost of Service Study (COSS) the Company will file as part of its next base rate case.

The Settlement also addresses the penalties and repercussions for those customers who take service under the CRR, but who either operate their DG units in a manner contrary to their agreement with the Company or who do not shed load as agreed upon

²⁶ I&E Statement No. 3 SR at 7; Settlement Agreement Appendix D.

²⁷ I&E Statement No. 3 SR at 7; Settlement Agreement Appendix D at 4.

with the Company.²⁸ These provisions will ensure that CRR customers live up to their end of the contracts negotiated with the Company and that they do not put the system as a whole at risk due to their failure to shed load.

I&E submits that the CRR section of the Settlement is in the public interest as it will allow for the collection of data resulting in the elimination of both inter- and intra-class cross subsidization. I&E avers that the CRR starts to shift the cost of reserved capacity back onto the customer who has reserved it, an action consistent with basic cost causation principles. Additionally, the pilot CRR will ensure system reliability with respect to load shedding as well as place the appropriate responsibility upon the DG customers for the accuracy of their contracts and their behavior thereunder.

D. Customer Assistance Program/ In-Program Arrears (Joint Petition ¶ 18, Appendix C)

On July 8, 2015, the Commission approved a multi-party settlement in Docket No. M-2012-2290911 related to PECO's 2013-2015 Universal Service and Energy Conservation Plan. In that Order, the Commission approved PECO's move from its current rate discount Customer Assistance Program (CAP) to a Fixed Credit Option (FCO) approach in October 2016, with the goal of significantly increasing both the breadth and depth of affordability of electric service for PECO's low-income customers.²⁹ PECO's CAP customers have accumulated a significant amount of arrearages (In-Program Arrears or IPA) under the PECO's existing rate discount

²⁸ Settlement Agreement Appendix D at 2-4.

²⁹ *PECO Energy Company Universal Service and Energy Conservation Plan*, Docket No. M-2012-2290911 (Recommended Decision issued June 11, 2015 at 21-23).

program. As part of the Settlement in the M-Docket proceeding, the parties agreed that PECO would propose a forgiveness program to address this IPA as part of its next base rate case (the instant proceeding). The Company's proposal with respect to the IPA was that one-third of all CAP IPA be funded by the Company, one-third be funded by the CAP customers who have accumulated the arrears, and the remaining one-third be funded by residential ratepayers through base rates as part of the Company's uncollectible expense claim.³⁰ I&E witness Dagadu testified that it was inappropriate to recover these arrears from residential customers through the Company's uncollectible expense claim as these amounts have not actually been written off.³¹

As part of the Settlement, PECO has agreed to write-off and never seek rate recovery of one-third of the system final IPA balance.³² The remaining two-thirds will be recovered as a transition cost of moving to the FCO through a combination of CAP customer payments (recovered over a 60 month payment plan) and residential customer contributions through base rates and the Company's Universal Service Fund Charge (USFC).³³ This structure will include a variety of reporting and tracking mechanisms to ensure that PECO pays the full amount of its guarantee and it will not collect more than two-thirds of the system final IPA balance.³⁴ Specifically, the Company will track the following collections: (1) all revenues received through the 2015 Base Rate Case

³⁰ See PECO Statement No. 7 at 15.

³¹ I&E Statement No. 2 at 8.

³² Settlement Agreement Appendix C at 2.

³³ Settlement Agreement Appendix C at 3-4.

³⁴ Settlement Agreement Appendix C at 3-4, 6-9.

Allowance, as adjusted by the USFC Correction Factor; (2) all amounts paid by CAP customers toward their IPA balances; (3) the USFC Matching Amounts; and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s).³⁵ When the total of all those collections equals two-thirds of the system final IPA balance, PECO will provide a credit to its USFC so that it will be collecting \$0, on an ongoing basis, from its residential customers through base rates and the USFC.³⁶

PECO will also serve all parties of record in this proceeding with its yearly USFC reconciliation, in which it will provide supporting documentation and explanations of any formulae or methodology employed to determine the amount of IPA included in the USFC rider. In the same filing, PECO will provide a statement of the actual IPAs recovered in the USFC and in base rates, both in that year as well as cumulatively.³⁷ This reporting requirement will provide transparency to the parties and the Commission regarding the status of the IPA and its payment, as well as allow the parties to address any concerns that they may have with IPA recovery prior to the Company's filing of its next base rate case.

The provisions of the Settlement that address the recovery of the In-Program Arrears will ensure that the final IPA balance established in October 2016 will be evenly split between the Company, CAP customers, and residential ratepayers. The Settlement also ensures that the Company will pay its full one-third of the final IPA balance and that

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

residential customers will not be over-charged for the portion assigned to them. Additionally, the treatment proposed is fully consistent with established accounting and ratemaking principles. Finally, these provisions will materially decrease the obligation of PECO's CAP customers to pay for the accumulated IPAs, thereby increasing the likelihood of affordable bills and repayment of the amounts owed. For these reasons, I&E submits that the IPAF provisions in the Settlement are in the public interest and should be approved.

E. Fully Projected Future Test Year Reporting (Joint Petition ¶ 21)

Consistent with Act 11, the Company uses a Fully Projected Future Test Year (FPFTY) in its filing. The use of a FPFTY resulted in the inclusion of \$193,217,000 of rate base associated solely with the FPFTY ending December 31, 2016.³⁸ While use of the FPFTY is permitted under Act 11, I&E witness Apetoh discussed the potential conflict that can arise with the "used and useful" requirement for including investments in rate base.³⁹ It is for these reasons that Mr. Apetoh recommended that the Company provide interim reports until the filing of its next base rate case to allow the Commission to measure and verify the accuracy of PECO's projected investments in future facilities.

In paragraph 21 of the Joint Petition, PECO agrees to provide to I&E, OCA, OSBA, and the Commission's Bureau of Technical Utility Services (TUS) updates by April 1, 2016, setting forth its electric division's actual capital expenditures, plant additions, and requirements by month. Additionally, PECO will file an update providing

³⁸ I&E Statement No. 3 at 9, lines 12-21.

³⁹ I&E Statement No. 3 at 10, lines 14-21.

these actual amounts, for the twelve months ending December 31, 2016, no later than April 1, 2017. This provision is in the public interest as it ensures that the Commission will receive data sufficient to allow for the evaluation and confirmation of the accuracy of PECO's projections.

F. Revenue Decoupling Collaborative (Joint Petition ¶ 25)

Through their collective direct testimony, KEEF, NRDC, and CAC proposed that the Company “pursue a full revenue decoupling mechanism” and that “the Commission either begin a formal generic investigation or order PECO to convene a working group with active stakeholders in Pennsylvania to design a full revenue decoupling mechanism to propose to the Commission either in its next base rate case or in some other suitable forum.”⁴⁰ Pursuant to paragraph 25 of the Joint Petition, PECO has agreed to convene a collaborative for all interested parties to “seek input” on revenue decoupling, and all Joint Petitioners have reserved their right to raise any arguments and positions regarding decoupling in the context of that collaborative or to the Commission directly. The Joint Petitioners have also reserved their right to oppose the implementation of decoupling. I&E declined to make any comment or responsive recommendation regarding KEEF's proposal as it views this issue to be outside the scope of this proceeding.

The Settlement Agreement accurately reflects that I&E does not endorse or support the revenue decoupling collaborative. I&E believes that an issue of this magnitude should not be addressed on a case by case basis. There are eleven Electric

⁴⁰ KEEF et al. Statement No. 1 at 30, 36.

Distribution Companies and ten major Natural Gas Distribution Companies throughout Pennsylvania that, arguably, share the same circumstances alleged by KEEF. I&E submits that a meeting hosted by PECO will do little to address a matter with statewide implications and that a productive discussion of the topic is more likely to be attained through the inclusion of a broader scope of participants. I&E maintains that PECO's 2015 base rate case is not the appropriate forum in which to accomplish a productive discussion of this issue. For the sole purpose of reaching a settlement in this proceeding, however, I&E does not actively oppose Paragraph 25 of the Joint Petition.

G. I&E's Remaining Issues

The remaining issues raised in I&E's Prehearing Memo have been satisfactorily resolved through discovery and discussions with the Company and are incorporated into the Black Box resolution of the revenue requirement in this proceeding. The very nature of a settlement is that it incorporates compromise on the part of all parties. This particular Settlement Agreement exemplifies this principle. In addition, a Black Box settlement makes the specific identification of the resolution of disputed issues impossible. Each signatory acknowledges the ultimate revenue allowance but makes no representation as to how this addition to base rate revenue was achieved.

III. CONCLUSION

Based on I&E's analysis of the base rate revenue increase requested by PECO Energy Company – Electric Division, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued

litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have caused an increase in revenue beyond that agreed to in the Joint Petition. Acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions, and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation proceeding best serves the interests of PECO and its customers. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

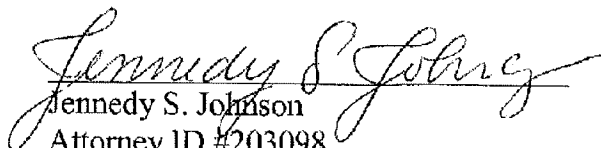
I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a Black Box agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or the continuation of this litigation in the event the Settlement Agreement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the ALJ in her Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any party to this proceeding. The

Settlement Agreement is also conditioned upon the Commission's approval of all terms and conditions contained therein, and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Settlement of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Angela T. Jones recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,


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Dated: September 8, 2015

STATEMENT C

Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket Nos. R-2015-2468981
	:	C-2015-2475585
PECO Energy Company	:	

STATEMENT OF THE OFFICE OF CONSUMER
ADVOCATE IN SUPPORT OF THE JOINT
PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the proposed terms and conditions of the Settlement to be in the public interest and in the interest of PECO's ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement for the following reasons:

I. BACKGROUND

On March 27, 2015, PECO Energy Company (PECO or the Company) filed proposed Tariff Electric - Pa. P.U.C. No. 5 (Tariff No. 5) at Docket No. R-2015-2468981. Through Tariff No. 5, the Company proposed an increase in annual electric operating revenues of approximately \$190.1 million.¹ The Company proposed that the rate increase become effective on May 26, 2015. PECO is engaged in the business of providing electric distribution service to approximately 1.6 million residential, commercial, and industrial customers in Philadelphia,

¹ This amount reflects an increase to base distribution revenues of \$193.0 million, and reductions to purchased power and transmission revenue of \$1.5 million and \$1.4 million respectively.

Bucks, Chester, Delaware, Montgomery, and York Counties. If Tariff No. 5 had become effective as proposed, the Company would have had an opportunity to recover an estimated annual increase in revenue for the Rate R Residential Service of \$98.8 million per year. The requested Rate R increase represented a 15.3% increase on a distribution revenue basis. As part of this increase, the Company proposed to increase the Rate R monthly customer charge from \$7.13 to \$12.00, or by 68.3%. The Company also proposed an increase in revenue for the Rate RH Residential Heating Service of \$26 million per year. The requested Rate RH increase represented a 20.4% increase on a distribution revenue basis. As part of this increase, the Company proposed to increase the Rate RH monthly customer charge from \$7.13 to \$12.00, or by 68.3%.

The OCA filed a Formal Complaint and Public Statement against the proposed revenue increase on April 6, 2015. On April 7, 2015, the Commission's Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance. On May 6, 2015, the Philadelphia Area Industrial Energy Users Group (PAIEUG) filed a Formal Complaint. The Office of Small Business Advocate (OSBA) filed a Formal Complaint on April 16, 2015 and a Notice of Appearance on April 17, 2015. Residential Customer, William B. Kazimer, filed a Formal Complaint on May 13, 2015. Petitions to Intervene were filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) on April 9, 2015; the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (TURN *et al.*) on April 20, 2015; the City of Philadelphia (City) on April 23, 2015; the Clean Air Council (CAC) on May 1, 2015; The Alliance for Solar Choice (TASC) on May 7, 2015; the General Services Administration (GSA) on May 8, 2015; the Natural Resources Defense Council (NRDC) on May 12, 2015; the Keystone Energy Efficiency Alliance Energy

Education Fund (KEEF), on June 1, 2015; and the Environmental Defense Fund (EDF) on June 22, 2015.

On April 23, 2015, the Commission entered an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, and suspended the effective date of Tariff No. 5 until December 26, 2015, by operation of law. The case was assigned to Administrative Law Judge (ALJ) Angela T. Jones, who issued a Prehearing Conference Order on April 28, 2015. A Prehearing Conference was held on May 11, 2015. Prehearing Order #3, issued May 14, 2015, established a procedural schedule and set forth modifications to the Commission's regulatory requirements regarding discovery matters. Public Input Hearings were scheduled for and subsequently held on June 8, 2015 in Newtown, PA at 7:00 pm; June 9, 2015 in Philadelphia, PA at 10:00 AM and 7:00 PM; June 10, 2015 in Worcester Township, PA at 7:00 PM; and June 15, 2015 in Ridley Park, PA at 7:00 PM. The OCA participated in all Public Input Hearings.

In accordance with the procedural schedule set forth in Prehearing Order #3, the OCA submitted the Direct Testimonies of David J. Effron,² OCA Statement No. 1; David C. Parcell,³ OCA Statement No. 2; Glenn A. Watkins,⁴ OCA Statement No. 3; and Roger D. Colton,⁵ OCA

² Mr. Effron is a Certified Public Accountant with Berkshire Consulting Services in North Hampton, New Hampshire. Mr. Effron provides consulting services in utility rate matters in this and other jurisdictions. Mr. Effron has significant expertise in areas related to electric operations, utility accounting, and policy matters related to those areas. A complete description of Mr. Effron's qualifications is provided in OCA Statement No. 1, Appendix I.

³ Mr. Parcell is President and Senior Economist of Technical Associates, Inc. in Richmond, Virginia. Mr. Parcell provides consulting services in the areas related to electric utilities, utility rate of return, cost of equity, and policy matters related to those areas. He has filed cost of capital testimony in over 500 public utility ratemaking proceeding before more than 50 regulatory agencies in the United States and Canada. A complete description of Mr. Parcell's qualifications is provided in OCA Statement No. 2, Attachment I.

⁴ Mr. Watkins is a Principal and Senior Economist with Technical Associates, Inc. in Richmond, Virginia. Mr. Watkins provides consulting services in the area of rate structure and rate design. A complete description of Mr. Watkins's qualifications is provided in OCA Statement No. 3, Schedule GAW-I.

Statement No. 4 on June 23, 2015. On July 21, 2015, the OCA submitted the Rebuttal Testimony of Glenn A. Watkins, OCA Statement No. 3-R. On August 4, 2015, the OCA submitted the Surrebuttal Testimonies of David J. Efron, OCA Statement No. 1-S; David C. Parcell, OCA Statement No. 2-S; Glenn A. Watkins, OCA Statement No. 3-S; and Roger D. Colton, OCA Statement No. 4-S. The testimonies of OCA witnesses Efron, Parcell, Watkins, and Colton, as identified above, were entered into the record by stipulation of the parties at the evidentiary hearing on August 14, 2015.

Prior to the hearing, several settlement conferences were held to attempt to reach a settlement in principle on the issues raised in this case. As a result of those conferences, the Joint Petitioners were able to reach a comprehensive agreement that resolves all issues without the need for further litigation, as set forth in the Settlement.

The terms and conditions of the Settlement satisfactorily address the issues raised in OCA's Complaint and further analysis of PECO's filing. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and the best interest of PECO's ratepayers, and should be approved by the Commission without modification.

⁵ Mr. Colton is a Principal with Fisher, Sheehan, & Colton in Belmont Massachusetts. He provides technical assistance to consumer advocates and public utilities on low income utility issues. He has been involved with the development of ratepayer-funded affordability programs throughout the nation. A complete description of Mr. Colton's education and experience is provided in OCA Statement No. 4, Appendix A.

II. TERMS AND CONDITIONS OF SETTLEMENT

A. Revenue Requirement (Settlement ¶ 14)

The Company, in its filing, proposed to increase its total annual operating revenues by approximately \$190.1 million, or 4.4% on a total revenue basis (distribution, transmission, and default service generation). After reviewing the Company's filing and rebuttal testimony, the OCA recommended an annual operating revenue increase of approximately \$24.805 million. OCA St. No. 1-S at 1. The OCA further recommended that an increase of an additional \$7 million (for a total of increase of approximately \$31.8 million) for enhanced vegetation management would be reasonable if the Company could further verify its spending plan. OCA St. 1-S at 25. I&E recommended that the Company receive an increase of approximately \$64.389 million. I&E St. No. 2 at 44. Under the Settlement, the Company will be permitted an increase in annual operating revenues of \$127 million. Settlement ¶ 14. This \$127 million increase is \$63.1 million less than the amount originally requested by the Company. On a total revenue basis (distribution, transmission, and generation), the increase is 2.9% as compared to the original request of 4.4%.⁶

The Settlement increase includes revenue related to distribution and smart meters, as well as enhanced vegetation management. In its filing, the Company included a request for \$7.0 million in annual operating expenses (\$7.6 million inclusive of Gross Receipts Tax expense) for increased vegetation management. The Settlement provides for \$7.0 million in annual operating expenses for increased vegetation management. Settlement ¶ 15. The terms of the Settlement also provide that PECO will provide a status report on the increased vegetation management at twelve and twenty-four month intervals. Settlement ¶ 15. The Company will provide the reports

⁶ On a distribution revenue only basis, the Company's requested \$190.1 million increase represents a 15.6% increase in distribution revenue. The Settlement increase on a distribution-only basis is 10.9%.

to the Commission within three months of the close of each reporting period and will include the locations of circuit sections and CEMI (Customers Experiencing Multiple Interruptions) pockets, as well as any associated improvement in reliability of those circuit sections and CEMI pockets. Settlement ¶ 15. The Company will also provide the OCA and I&E a copy of the reports. Settlement ¶ 15.

The Settlement represents a “black box” approach to the individual revenue requirement and return on equity issues, with the limited exceptions contained in the Settlement relating to smart meter and distribution system improvement charge (DSIC) matters, the recovery of customer assistance in-program arrearages (discussed below in Section II.C), and the enhanced vegetation management program addressed above. Black box settlements avoid the need for protracted disputes over the merits of individual revenue adjustments and avoid the need for a diverse, large group of stakeholders to attempt to reach consensus on a variety of financial numbers. The OCA submits that it is unlikely that the parties would have been able to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ widely. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach an agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

Based on the OCA’s analysis of the Company’s filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is reasonable and yields a result that is in the public interest, particularly when accompanied by other important conditions contained in the Settlement. The increase agreed to in the Settlement

provides adequate funding to allow the Company to increase its vegetation management and maintain the safety and adequacy of its distribution system. As such, the OCA submits that the increase agreed to in this Settlement is in the public interest and in the interest of PECO's ratepayers, and should be approved by the Commission.

B. Revenue Allocation and Rate Design

1. Revenue Allocation (Settlement ¶ 16)

The Settlement provides that PECO can increase base distribution rates by amounts designed to produce a \$127 million increase in annual operating revenues, in lieu of the distribution increase of \$190 million originally proposed by the Company. In its filing, the Company proposed to allocate \$124.8 million of its proposed base distribution revenue increase request to residential customers. The Company's proposed allocation would have resulted in a 16.1% increase to the residential customer class (15.3% for Rate R, 20.4% for Rate RH) on a distribution-only basis. OCA St. 3 at 31. If this request had been approved as filed, a Rate R residential customer using 700 kWh per month would have seen their average total bill rise by \$6.55 per month, from \$110.18 to \$116.73. Settlement, App. E.

Under the Settlement, residential customers will receive an overall increase in distribution revenue of \$84.416 million per year, or a 10.9% increase on a distribution-only basis that is equal to the distribution system average increase of 10.9%. A residential Rate R customer using 700 kWh per month will see their average total bill rise by \$4.15 per month, from \$110.18 to \$114.33 rather than the \$6.55 per month increase proposed by the Company.⁷ Settlement, App. E.

⁷ All calculations use riders in effect at March 1, 2015, and the price-to-compare from March 1, 2015, which assures that the rates are being compared on a consistent basis.

OCA witness Watkins reviewed the Company's revenue allocation proposal and the Company's class cost of service study (CCOSS) upon which the Company's allocation was based. The OCA contested the Company's CCOSS in this matter and Mr. Watkins submitted a modified CCOSS, which he used in his analysis to develop a recommended allocation of any proposed revenue increase for the Company among its customer classes. See OCA St. No. 3, Schedule GAW-4 (summarizing the results of the Company's CCOSS and Mr. Watkins' adjusted CCOSS). Based on his CCOSS, Mr. Watkins recommended that the residential class be allocated approximately \$118.9 million of the Company's proposed increase with a proportional scale back should an increase of less than \$190.1 million be authorized. OCA St. No. 3 at 33; Schedule GAW-4 at 1-2. Under Mr. Watkins' proposed allocation, the residential customers would receive a 15.4% distribution increase as compared to the Company's proposed 16.14% distribution rate increase. OCA St. 3 at 33. In addition to the Company and the OCA, I&E, OSBA, and PAIEUG also submitted allocation recommendations that placed more of the requested increase on residential customers.

Based on the OCA's review of the cost of service studies presented in this proceeding and the varying revenue allocation proposals presented by other parties, the OCA views the Settlement to be within the range of reasonable outcomes that would result from the full litigation of this case. The Settlement allocation ensures reasonable movement of all classes relative to the system average rate of return under all cost studies presented in this case. The OCA submits that the Settlement is reasonable, and when accompanied by other important conditions contained in the proposed Settlement, yields a result that is just and reasonable, in the public interest, and should be approved.

2. Residential Rate Design (Settlement ¶ 17)

The Settlement provides that PECO's monthly residential customer charge will increase from \$7.13 to \$8.45, or 18.5%. Settlement ¶ 17. In its filing, the Company proposed increasing the residential customer charge to \$12.00, or an increase of 68%. OCA St. No. 3 at 37. In his testimony, OCA witness Watkins' recommended that a cost based residential customer charge would be in the range of \$8.07 to \$8.48 depending on the assumed cost of capital. OCA St. 3-R at 11; OCA Sch. GAW-2R.

The OCA submits that the Settlement customer charge reflects appropriate customer costs. A cost-based customer charge provides necessary price signals to customers regarding conservation. OCA St. No. 3 at 40. The OCA submits that the residential rate design established through the Settlement is reasonable and consistent with sound ratemaking principles. Combined with a \$63.1 million lower revenue increase than the Company sought, these rate design changes result in rates that are significantly below the rates originally proposed by the Company and within the range of the likely outcomes in the event of full litigation of the case.

C. In-Program Arrearage Forgiveness (IPAF) Cost Recovery (Settlement ¶ 18; Appendix C)

On July 8, 2015, the Commission approved a settlement in PECO's recent Universal Service and Energy Conservation Plan proceeding at Docket No. 2012-2290911 (the "CAP Re-Design Settlement"). The CAP Re-Design Settlement implemented a new Customer Assistance Program (CAP) designed to address affordability issues resulting from the Company's historic CAP program design. Settlement at App. C, ¶ 1. Of critical importance to this proceeding, the CAP Re-Design Settlement assigned the issue of the cost recovery for the arrearages accumulated by CAP customers while enrolled in the CAP program to be addressed in a future rate proceeding. Here, the Joint Petition for Settlement addresses the cost recovery for an In-

Program Arrearage Forgiveness (IPAF) program for PECO's current CAP customers. Settlement at ¶ 18, App. C.

In this case, PECO identified that CAP customers had accrued approximately \$45 million of "in-program arrears," or "amounts that are currently overdue, as well as amounts owed for prior service that are currently subject to a payment arrangement." Settlement at App. C., I ¶ 2. The parties have agreed that PECO's historic CAP program did not provide rates that comprehensively met the Commission's guidelines for affordable service, and that this unaffordability was a material factor in the customer's developing the \$45 million in-program arrearage. *Id.* The instant Settlement provides for a cost recovery mechanism to address the "in-program arrears" identified by PECO.⁸ The Settlement provides for a 60-month payment arrangement to CAP customers equal to 1/3 of the customer's "Initial IPA Balance" and the CAP customer will receive a reduction of \$2.00 for every dollar that the CAP customer pays towards the balance. Settlement at App. C, II ¶ 4; PECO St. 7 at 15; OCA St. 1 at 13-14.

The OCA submits that PECO's in-program arrearage situation is unique and that the cost recovery mechanism proposed in the Settlement is designed to address the specific one-time issues that have arisen, in part, due to PECO's historic CAP design. As OCA witness Roger D. Colton explained, there is a need for in-program arrearage forgiveness in this situation:

PECO's CAP Rate program, which provides prescribed discounts on a limited usage level for low-income customers, is unique in Pennsylvania. Other companies, which adhere more closely to a percentage of income-based program, which is the fundamental program design that is incorporated into the settlement offered to the Commission in Docket No. M-2012-2290911, would experience the affordability results that are now anticipated for PECO in the future. Without the underlying unaffordability problems as are present in PECO's current program design, it would be reasonable to expect the presence of significantly fewer in-

⁸ The amount for recovery identified by PECO was estimated to be approximately \$45 million. The actual amount recovered through the IPAF will be identified when the FCO program begins in October 2016 as the Company determines each "Customer Final IPA Balance." The parties agree that this "System Final IPA Balance" may be different than the \$45 million identified in this base proceeding. Settlement at App. C, II ¶ 2.

program arrearage problems. The combination of the two factors I have identified above- (1) that PECO had an ongoing affordability problem within its low-income program; and (2) that PECO (in collaboration with OCA and low-income stakeholders) has developed a revised program design that should prevent CAP participants from incurring in-program arrears in the future – make the IPAF proposal advanced by PECO uniquely reasonable for the circumstances facing PECO.

OCA St. 4 at 17.

While the parties agreed that such an IPAF was necessary in this case, the parties disagreed regarding how the costs should be recovered. In this proceeding, PECO proposed that “one-third of the costs of in-program arrearages each being borne by program participants (through a multi-year payment arrangement), the Company, and non-participating ratepayers.” OCA St. 1 at 18. OCA witness Colton agreed with the Company’s basic approach, but identified concerns with the Company’s proposed cost recovery mechanism. Mr. Colton testified that the responsibility for the costs of the in-program arrearages would not fall along this one-third allocation formula and that the non-participating residential ratepayers would bear a much greater than one-third proportion of the in-program arrearages. Id. The OCA submits that this Settlement addresses the concerns identified by Mr. Colton.

As part of the Settlement, PECO commits and guarantees that it will not seek recovery of “an amount equal to 1/3 of the System Final IPA balance” and provides for a mechanism to ensure that not more than 2/3 is collected from CAP and non-participating residential ratepayers. Settlement at App. C, III ¶ 1, Exh. 3. Under the Settlement, for example, if the System Final IPA Balance is \$45 million, PECO’s cost recovery will not exceed \$30 million cumulatively from ratepayers and CAP customers in arrears. Id.

The Settlement provides for the cost recovery of the IPAF through four mechanisms: (1) through a portion being collected through the instant Settlement’s base rates; (2) through a

portion being collected through the Universal Service Fund Charge (USFC) beginning in October 2016 from non-participating residential ratepayers; (3) through a five-year payment arrangement to collect 1/3 of the costs from CAP customers with arrearages; and (4) through the creation of a regulatory asset to collect any remaining System Final IPA Balance in PECO's next base rate proceeding. Settlement at App. C, III. ¶¶ 1-5. The Settlement provides for the cost recovery of \$2 million per year through base rates established in this proceeding as a cost associated with the IPAF (Base Rate Case Allowance). Settlement at App. C., III ¶ 2. The Settlement also provides that in October 2016, a 60-month payment arrangement of 1/3 of the CAP customer's "IPA PAR Balance" will be created to recover 1/3 of the costs from the CAP customers in arrears. For every \$1 that the CAP customer pays, \$2 will be paid towards the balance. Settlement at App. C, II ¶ 4, III ¶ 4. Of this, \$1 is paid for by PECO through its guarantee, and \$1 of the matching amount is recovered from non-participating residential ratepayers through the USFC. *Id.* PECO will recover any remaining balance from residential ratepayers as a regulatory asset in its next base rate proceeding, if necessary. Settlement at App. C, III ¶ 5.

Importantly, the Settlement ensures that PECO will contribute 1/3 of the System Final IPAF Balance. The Settlement addresses the issue as follows:

To ensure PECO's 1/3 guarantee, PECO will track its collections from the following sources: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, (3) the USFC Matching Amounts, and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s).

Settlement at App. C, III ¶ 6.

The annual USFC reconciliation filings will provide information regarding the amounts collected to date through both the USFC and base rates, in that year and cumulatively. *Id.* at

App. C, IV ¶ 2. When the total of these collections equals 2/3 of the System Final Balance, PECO will credit the USFC so that the net balance to be recovered from residential ratepayers will be \$0 from base rates and the USFC. Settlement at App. C, III ¶ 6, Exh. 3.

The Settlement also integrates several other important recommendations from Mr. Colton's testimony to further improve CAP customer affordability and to address the accumulation of arrears in the future. See, OCA St. 1 at 40-42. PECO will improve its referral of CAP customers through its Customer Assistance Referral and Evaluation Services (CARES) program or other appropriate communication channel to refer CAP participants to apply for the Earned Income Tax Credit (EITC). PECO will also evaluate whether it is over-noticing CAP customers for disconnection of service and tighten its existing business rules for when a notice of termination is issued. Settlement at App. C, IV ¶¶ 3-4; see OCA St. 1 at 40-42. PECO will address and report on these issues at its Universal Service Advisory Committee meetings. Id. The OCA submits that these measures will help provide CAP customers with necessary information about available resources to support payment of their 1/3 balance and will also work to strengthen the rules regarding collections and disconnections.

Finally, if PECO's System Final Balance exceeds \$46.7 million, or 5% above the \$44.5 million estimate included in the base rate filing, the Company will provide an explanation of the increase and all collection activities between the date of the Settlement and October 2016. Settlement at App. C, IV ¶ 1. The OCA submits that this will provide the parties with greater clarity regarding the reasons for further potential increases in the IPAF balance.

The Settlement addresses the concerns identified by OCA witness Colton's testimony in this matter. The Settlement will provide for a reasonable cost recovery mechanism to address the

unique affordability issues that have arisen, in part, due to PECO's historic CAP design and it should improve affordability and collection efforts in the future.

D. Tax Repair Deduction Refund (Settlement ¶ 20)

The Settlement provides that PECO will continue to refund the reductive effect of the tax repair catch-up deduction through a customer bill credit as it is currently doing, pursuant to Paragraph 7.E of the Joint Petition for Partial Settlement of Rate Investigation at Docket No. R-2010-2161575, except that, beginning on the effective date of the Settlement Rates in this proceeding, the bill credit will reflect 6% simple interest on the monthly unamortized balance of the tax-effected catch-up deduction. Settlement ¶ 20.

OCA witness Effron, in his Direct Testimony, recommended that the Company deduct the net balance of the tax repair regulatory liability from the test year rate base because it represents non-investor supplied funds. OCA St. No. 1 at 21. Company witness Yin, in his Rebuttal Testimony, disagreed with Mr. Effron's recommendation and proposed an alternative treatment of the tax repair deduction whereby the Company would provide customers interest at 6% on the average declining balance of the unamortized reduction in tax expense. OCA St. No. 1-S at 15. OCA witness Effron agreed that Mr. Yin's alternative was a reasonable alternative to Mr. Effron's proposed rate base reduction, but also recommended that the appropriate interest rate should be closer to the Company's pre-tax weighted cost of capital. OCA St. No. 1-S at 15-16.

The OCA submits that this Settlement provision is reasonable, represents a compromise of the parties' positions and is within the range of the likely outcomes in the event of full litigation of the case. The provision of interest on the net balance of the unamortized tax repair expense provides customers with the time value of their money and ensures that investors do not

receive a windfall due to the method of refunding the tax repair deduction. Therefore, this provision is in the public interest.

E. FPFTY Reports (Settlement ¶ 21)

The Settlement provides the PECO will provide updates of actual capital expenditures, plant additions, and retirements to TUS, I&E, OCA, and OSBA on or before April 1, 2016, for the twelve months ending December 31, 2015, and on or before April 1, 2017, for the twelve months ending December 31, 2016. Settlement ¶ 21. Further, the Settlement provides that the Company, in its next base rate proceeding, will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2016, to its projections in this case. Settlement ¶ 21. The OCA submits that this provision will provide valuable information that permits a comparison of projected spending versus actual spending and is, therefore, in the public interest.

F. Distribution System Improvement Charge (DSIC) (Settlement ¶ 22)

The Settlement provides that, as of the effective date of the Settlement Rates in this proceeding, PECO will be eligible to include plant additions in its proposed DSIC, if approved, once eligible account balances exceed the levels projected by the Company at December 31, 2016. Settlement ¶ 22. The Company has filed for approval of a DSIC in a separate proceeding at Docket No. P-2015-2471423. The OCA submits that this provision appropriately addresses PECO's DSIC.

G. Revenue Decoupling Collaborative (Settlement ¶ 25)

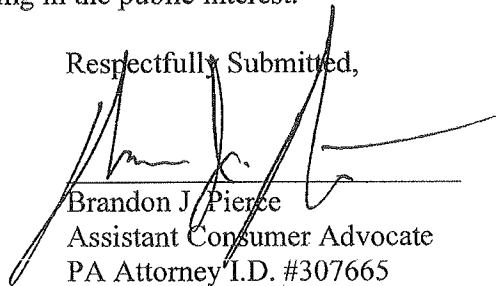
The Settlement provides that PECO will hold a collaborative for all interested participants regarding revenue decoupling on or before March 1, 2016. Settlement ¶ 25. The Settlement further provides that all participants reserve their right to raise any and all arguments

and positions in the collaborative, or to the Commission, including opposing the implementation of decoupling in whole or in part. Settlement ¶ 25. The OCA will actively participate in the collaborative.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represent a fair and reasonable resolution of the issues raised by the OCA in this proceeding. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,



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September 10, 2015
00211919

STATEMENT D

**Statement in Support of Joint Petition for Settlement
of the Office of Small Business Advocate**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT**

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of PECO Energy Company (“PECO” or the “Company”) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On March 27, 2015, PECO filed with the Commission Tariff - Electric Pa. P.U.C. No 5 (“Tariff No. 5”), requesting an increase in annual operating revenues of approximately \$190 million. By Order issued April 23, 2015, the Commission instituted a formal investigation of PECO’s existing and proposed rates, and Tariff No. 5 was suspended by operation of law until December 26, 2015. This case was assigned to

Administrative Law Judge (“ALJ”) Angela T. Jones for purposes of conducting hearings and issuing a Recommended Decision.

Complaints were filed by the OSBA, the Office of Consumer Advocate (“OCA”), the Philadelphia Area Industrial Energy Users Group (“PAIEUG”), and individual complainant William B. Kazimer. The Commission’s Bureau of Investigation and Enforcement (“I&E”) entered a notice of appearance.

The following parties intervened in the proceeding: the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN *et al.*”), the City of Philadelphia (“City”), the Keystone Energy Efficiency Alliance Energy Education Fund (“KEEF”), the Clean Air Council (“CAC”), the Natural Resources Defense Council (“NRDC”), The Alliance for Solar Choice (“TASC”), the Environmental Defense Fund (“EDF”) and the General Services Administration (“GSA”).

A Prehearing Conference was held on May 11, 2015, before ALJ Jones, at which time the parties agreed upon a procedural schedule and discovery modifications.

Subsequently, the parties engaged in extensive formal and informal discovery. Five Public Input Hearings took place in June.

Direct testimony was filed on June 23, 2015, by I&E, OCA, OSBA, PAIEUG, EDF, GSA, KEEF/NRDC/CAC, the City, TASC and TURN *et al.* On July 21, 2015, PECO, OCA, OSBA and PAIEUG submitted rebuttal testimony. On August 4, 2015, PECO, I&E, OCA, OSBA, PAIEUG, KEEF/NRDC/CAC and TASC submitted surrebuttal testimony. PECO filed Motions to Strike All or Portions of the direct

testimony of EDF, KEEF/NRDC/CAC, and TASC. The Motions were later withdrawn due to the successful achievement of a settlement. The parties successfully negotiated a settlement of all issues.

Consequently, all parties waived cross-examination of all witnesses, the evidentiary hearings scheduled for August 11-13, 2015 were cancelled and a telephonic hearing was conducted on August 14 for the purpose of entering into the record the testimony and exhibits of the parties.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement of Rate Investigation ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF JOINT PETITION

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for concluding that the Joint Petition is in the best interests of small business customers.

A. Increase in Revenues (Joint Petition at Appendix B)

As noted above, PECO's proposed Tariff No. 5 requested \$190 million in additional annual revenues. Through the settlement negotiation process, the parties have agreed to an increase in distribution rate revenues of \$127 million, or approximately two-thirds of the initial request. The savings to ratepayers is obvious, while the revenues agreed to still allow PECO to operate its system for the benefit of ratepayers and shareholders alike.

B. Class Revenue Allocation (Joint Petition at ¶ 16)

In its filing, PECO identified two specific objectives that guided the development of the Company's proposed revenue allocation: 1) each rate class should be moved closer to full cost of service, as determined by the Company's class cost-of-service study ("COSS"), and 2) customer impacts should be considered, so as to avoid assigning disproportionate increases (relative to the system average) to any of the Company's major rate classes.¹

However, as noted by Mr. Kalcic in his direct testimony, PECO's proposed revenue allocation was problematic, since it failed to provide adequate movement toward cost of service. In particular, PECO's proposal would move rate classes R, PD and EP away from cost of service.²

In an effort to move all classes closer to cost and to avoid excessive rate increases, Mr. Kalcic proposed an alternative allocation of PECO's requested distribution rate increase. In order to provide meaningful movement toward cost of service for all rate classes, Mr. Kalcic set class revenue levels so as to move each class half way towards its indicated cost of service, based on PECO's filed COSS.³ The OSBA's recommended revenue allocation, at PECO's full rate request, is shown in column 3 of Schedule BK-3.

Table 1 (below) compares the parties' adjusted proposed increases for Rate GS customers to the Rate GS increase provided by the Joint Petition.

¹ OSBA Statement No. 1 at 3-4.

² OSBA Statement No. 1 at 5.

³ OSBA Statement No. 1 at 6.

Table 1
 Comparison of Parties' Proposed Rate GS Increases at
 Joint Petition Revenue Level 1/
 (\$000)

<i>Class</i>	<i>Per Joint Petition</i>	<i>PECO</i>	<i>OSBA</i>	<i>OCA</i>	<i>I&E</i>	<i>PAEIUG</i>
GS	\$30,617	\$27,516	\$28,056	\$33,681	\$29,469	\$28,021

Source: Joint Petition at Appendix B, page 1 of 8, and Schedule BK-1R.

1/ Parties' positions shown in Sch. BK-1R scaled to reflect the overall settlement increase of \$127.0 million.

As shown in Table 1, the settlement increase for Rate GS reflects a compromise among the parties, particularly with respect to the litigation positions of the OSBA and OCA. Had the Commission given equal weight to those positions, the overall increase to Rate GS (assuming an overall increase of \$127.0 million) would have been (the sum of \$28.056 million plus \$33,681 million, divided by 2 or) \$30.869 million, which is \$0.252 million greater than provided by the Joint Petition. The OSBA concludes that the revenue allocation in the Joint Petition provides a meaningful benefit to small business customers, since it eliminates the litigation risk associated with the OCA's proposed increase to Rate GS customers.

C. Judicial Efficiency

Lastly, settlement of this proceeding avoids the litigation of competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Jones and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,



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Attorney ID No. 83789

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
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Dated: September 8, 2015

STATEMENT E

**Statement in Support of Joint Petition for Settlement
of the Philadelphia Area Industrial Energy Users Group**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2468981
	:	
PECO Energy Company	:	

**THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP
STATEMENT IN SUPPORT OF
THE JOINT PETITION FOR SETTLEMENT**

The Philadelphia Area Industrial Energy Users Group ("PAIEUG"), by and through its counsel, submits that the terms of the Joint Petition for Settlement ("Joint Petition" or "Settlement") concurrently filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-captioned proceeding reflects a partial settlement among the Joint Petitioners with respect to PECO Energy Company's ("PECO" or "Company") March 27, 2015, filing of Tariff Electric – Pa. P.U.C. No. 5 ("Tariff No. 5"), which sought to increase PECO's total annual operating revenues by \$190 million, effective June 1, 2015.

As a result of settlement discussions, PECO, PAIEUG, the Bureau of Investigation & Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("TURN *et al.*"), the City of Philadelphia ("City"), the Keystone Energy Efficiency Alliance Energy Education Fund ("KEEF"), the Clean Air Council ("CAC"), the Natural Resources Defense Council ("NRDC"), The Alliance for Solar Choice ("TASC"), the Environmental Defense Fund ("EDF") and the General Services Administration

("GSA") (collectively, the "Joint Petitioners"), have agreed upon the terms embodied in the foregoing Joint Petition. PAIEUG offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

BACKGROUND

1. On March 27, 2015, PECO filed Tariff No. 5, which contained proposed changes in rates, rules, and regulations calculated to produce an increase of approximately \$190 million in total operating revenues. PECO's filing also proposed to eliminate the Auxiliary Service Rider ("ASR") and replace it with a Capacity Reservation Rider ("CRR").

2. On May 6, 2015, PAIEUG submitted a Complaint in the above-captioned proceeding. PAIEUG's Complaint explained that, under PECO's proposed allocation of its requested revenue increase, Large Commercial and Industrial ("C&I") customers would experience substantial increases in their distribution rates, resulting in the Large C&I customer class contributing revenues to PECO in excess of their cost to serve. PAIEUG's Complaint also explained that PECO's proposed tariff modifications, including the replacement of the ASR with the proposed CRR, may have an adverse impact on the Company's Large C&I customers. As noted in its Complaint, PAIEUG members receive electric service from PECO, including service under Rate HT and Rate EP, and use substantial volumes of electricity in their operations. As a result, PAIEUG members were concerned that the proposed increase and tariff changes could have an adverse impact on their operational processes and cost of doing business.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised by the various parties. These negotiations resulted in the Settlement, which proposes a resolution of all issues between the Joint Petitioners in this proceeding as set forth below.

STATEMENT OF SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; see also 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in negotiations in an effort to settle the issues raised by the complainants. These ongoing discussions produced the foregoing Settlement.

5. The Joint Petitioners agree that approval of the proposed Settlement is overwhelmingly in the best interest of the parties involved.

6. The Joint Petitioners agree that the Company should be authorized to file a tariff supplement containing the rates set forth in the Joint Petition.

7. The Joint Petitioners agree that the \$127.0 million rate increase achieved in the Joint Petition is just, reasonable, and in the public interest.

8. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of the Settlement.

9. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the final order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition results in an increase in PECO's rates by \$127 million, or approximately 10.9% (based on total electric operating revenues), in lieu of the \$190 million, or 16.6% increase originally requested.
- d. The Joint Petition provides a just and reasonable means by which to allocate the resulting rate increase.

- e. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.
- f. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

10. The Joint Petition specifically satisfies the concerns of PAIEUG by reasonably allocating the proposed increase among customer classes and implementing a movement of each rate class closer to the Company's actual cost to serve. In addition, the Joint Petition satisfies PAIEUG's concerns regarding PECO's originally proposed tariff changes by:

- a. Ensuring that customers served on Rates HT and EP receive rate increases of 6.4% and 8.7%, respectively, both of which fall below the system-average increase of 10.9%, in recognition of the fact that such Rate Schedules are currently in excess of their respective cost to serve. See Direct Testimony of Jeffrey Pollock, PAIEUG Statement No. 1, p. 15; see also Joint Petition, p. 7.
- b. Clarifying that the proposed CRR shall be implemented solely on a pilot basis for customers installing distributed generation equipment on or after January 1, 2016. See Joint Petition, Appendix D, p. 4.
- c. Requiring PECO to collect further data regarding the alleged cost impacts justifying the pilot CRR and making such data available to all parties prior to proposing any expansion of the pilot CRR in PECO's next base rate case. See id.; see also PAIEUG Statement No. 1, p. 27.
- d. Ensuring that customers shall not be assessed a CRR payment for "parasitic load." See Joint Petition, Appendix D, p. 4; see also Surrebuttal Testimony of Jeffrey Pollock, PAIEUG Statement No. 1-S, pp. 4-5.

- e. Authorizing all customers served on Rates HT, PD, and EP to enter into negotiations to establish an appropriate CRR rate. See Joint Petition, Appendix D, p. 1.
- f. Otherwise clarifying the applicable terms and conditions of the pilot CRR. See id., pp. 1-5.

11. Further, while the Settlement resolves numerous concerns raised by PAIEUG throughout this proceeding, PAIEUG does not join in Paragraph 25 of the Joint Petition, which requires PECO to hold a collaborative seeking input on revenue decoupling issues. PAIEUG takes the position that revenue decoupling issues should be addressed through formal statewide proceedings as the implicated issues would impact both Electric Distribution Companies and Natural Gas Distribution Companies uniformly across the state. Only a proceeding including statewide stakeholders can provide the Commission with a reliable basis for any policy determinations on revenue decoupling, particularly as the Commission has previously commented on the matter in prior statewide proceedings related to implementation of Act 129 of 2008. See Energy Efficiency and Conservation Program Implementation Order, Docket No. M-2008-2069887 (January 15, 2009), p. 36. Moreover, PAIEUG does not believe that revenue decoupling is a necessary or required issue for review by the Commission at this time. Accordingly, PAIEUG declines to support the proposed revenue decoupling collaborative, but will not oppose preserving Paragraph 25 as part of the Settlement.

12. PAIEUG supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by the Administrative Law Judge or the Commission, PAIEUG will resume its litigation position, which differs from the terms of the Joint Petition.

13. As set forth above, PAIEUG submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous negotiations. While Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, as well as the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further current litigation in this proceeding. See 52 Pa. Code § 69.391.

WHEREFORE, the Philadelphia Area Industrial Energy Users Group respectfully requests that Administrative Law Judge Angela T. Jones and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By



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Counsel to the Philadelphia Area Industrial Energy
Users Group

Dated: September 9, 2015

STATEMENT F

Statement in Support of Joint Petition for Settlement of the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2468981
	:	
PECO Energy Company –	:	
Electric Division	:	

**STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND
ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), a signatory party to the Joint Petition for Settlement (“Joint Petition” or “Settlement”), respectfully requests that the terms and conditions of the Settlement be approved by the Pennsylvania Public Utility Commission (“Commission”). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest and should be approved.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of PECO Energy Company’s (PECO) low-income customers to access affordable electric service under reasonable terms and conditions. In particular, CAUSE-PA was concerned that an increase in the base rate could undermine the improved depth and breadth of affordability achieved in a recent Settlement, approved by the Commission on July 8, 2015. That settlement was the product of months of

negotiation and mediation which ultimately led to the redesign of PECO's Customer Assistance Program (CAP) at Docket No. M-2012-2290911 (CAP Redesign Settlement). CAUSE-PA intervened in this proceeding to ensure that an arrearage forgiveness program, first conceived in the CAP Redesign Settlement, would be adopted. Adoption of an arrearage forgiveness program is critical, as it preserves the decreased energy burdens projected to result from the CAP Redesign Settlement by ensuring that the vestiges of the current, unaffordable CAP program do not follow CAP customers into the newly redesigned program.

In relevant part, this Settlement allows PECO to increase its operating revenue by \$127 million, (Jt. Pet. at para. 14), \$84,416,000 (10.9%) of which is allocated to the residential and residential heating rate classes. The fixed distribution charge for residential and residential heating customers will increase from the current \$7.13 charge to \$8.45 – much less than the originally proposed \$12.00. The Settlement also provides for In Program Arrearage Forgiveness (IPAF) Cost Recovery, which will ensure that PECO's CAP is able to reach enhanced levels of affordability for low income customers on a forward going basis.

Although CAUSE-PA's positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in that it addresses issues of critical concern to CAUSE-PA, balances the interests of the parties, and resolves a number of important issues fairly. Considerable litigation and associated costs will be avoided by this Settlement; and if approved, the Settlement will eliminate the possibility of further litigation and appeals, along with their attendant costs.

II. BACKGROUND

CAUSE-PA adopts the background set forth in Paragraphs I-12 of the Joint Petition for Settlement, as well as Paragraphs I-6 of Appendix C to the Joint Petition for Settlement.

III. CAUSE-PA'S REASONS FOR SUPPORT OF THE SETTLEMENT

The following terms of the Settlement reflect a carefully balanced compromise of the interests of the Joint Petitioners in this proceeding.

First, paragraph I7 provides that the fixed residential customer charge will rise by \$1.32 – from \$7.13 to \$8.45. This is a modest increase compared to PECO's initially proposed increase of \$12.00. A low fixed charge is critical to ensure that the burden of a rate increase does not disproportionately fall on low income residents, who use less energy on average than wealthier residential customers. (TURN St. 1, Peach, at 8-10). It also ensures that the rate structure does not undermine ratepayer investments in energy efficiency and weatherization through the Low Income Usage Reduction Program (LIURP), which is designed to reduce low income household usage and, in turn, reduce the energy burden for low income customers. *Id.* Hugh Gilbert Peach, expert for the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia, explained in his direct testimony:

[I]ncreasing the costs recovered through a fixed charge – as opposed to a volumetric based charge – undermines the ability for customers to reduce bills through conservation and consumption reduction. This is particularly problematic for low-income customers, given that low income households have significantly less budget elasticity than non-low-income households. By increasing the fixed charge that a residential customer must pay, without any link to customer's usage, PECO is blatantly undermining the goals of the Low Income Usage Reduction Program (LIURP), which is designed to lower consumption and increase energy affordability for low-income customers.

[Increasing the fixed charge] will actually decrease bills for higher volume users, who are more often high wage earners with larger homes, have a greater

opportunity for usage reduction, and a more flexible income with which to absorb an increase and/or install consumption reductions measures. At the same time, a higher fixed charge would place the highest financial burden on low-income customers, who often reside in small multifamily units with fewer square feet to accomplish effective consumption reduction, and who have an inelastic budget with which to absorb an increase in fixed fees.

(TURN St. 1, Peach, at 9-10 (internal citations omitted)). The increase to the fixed charge contained in the Settlement is an improvement over PECO's initially proposed increase and, as a negotiated compromise, is in the best interests of Pennsylvania's low income residents who reside within the PECO service territory.

Paragraph 18 of the Settlement, together with Appendix C, contains the terms for an IPAF program and the attendant mechanisms for cost recovery. In short, the IPAF program was proposed by PECO in this base rate proceeding, in conjunction its responsibilities under the CAP Redesign Settlement, to forgive a portion of the approximately \$45 million of CAP in-program arrearages that have accrued over the years. (Jt. Pet. at Appx. C, para. 2; TURN St. 1 at 7-9). The impetus for the IPAF program is to ensure that the newly redesigned CAP will not be stunted in its ability to produce greater affordability for CAP customers on a forward going basis. As explained by Mr. Peach, the redesigned CAP "will reduce the percentage of unaffordable bills for Rate R customers from 34% to 12% and from 28% to 10% for Rate RH customers ... [and] is projected to reduce both the breadth and depth of unaffordability." (TURN St. 1 at 7). However, as Mr. Peach further explained, the redesigned program "does not provide a mechanism for addressing arrearages that accumulated under PECO's existing CAP design." *Id.* Mr. Peach asserted that, "absent forgiveness, those CAP customers who have accumulated in-program arrearages under the existing CAP structure will struggle to pay both the new FCO bill and

payment on large arrears,” thereby undermining the ability for the redesigned program to reach the targeted levels of affordability. Id. at 8.

In technical terms, the Settlement provides that any in-program arrears that persist at the time the redesigned CAP is implemented (projected for October 2016) will be amortized over a 60 month period. One-third of that amount will be placed on the CAP customer’s bill, and the remaining two-thirds will be tracked for potential forgiveness. For every dollar paid by the CAP customer toward their portion of the arrears, the customer will earn two dollars (\$2.00) in arrearage forgiveness: one dollar of forgiveness will be absorbed by PECO and one dollar of forgiveness will be recovered from non-CAP residential ratepayers. To recover the costs borne by residential ratepayers, the Settlement allows PECO to collect \$2 million per year as a transition cost, subject to a correction factor to adjust recovery to match the actual dollars forgiven through the program.

The IPAF program is a critical part of the Settlement and should be approved by the Commission without modification, as it offsets some of the added financial burden to low income consumers created by this base rate increase and preserves the affordability gains produced through the CAP Redesign Settlement. Indeed, failure to approve the program in full would exacerbate the level of CAP unaffordability, and would cause high levels of arrears to persist.

While not all of CAUSE-PA’s litigation positions have not been fully adopted, the Settlement was arrived at through good faith negotiation by all parties and represents a fair and balanced resolution of the issues in the proceeding. When taken together, the provisions of this settlement are in the public interest, and should be approved by the Commission in its entirety.

IV. CONCLUSION

The Settlement, which was achieved by the Joint Petitioners after an extensive investigation of PECO's filing, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at a substantial cost to the Joint Petitioners and PECO's customers.

Accordingly, CAUSE-PA respectfully requests that Administrative Law Judge Angela T. Jones and the Commission approve the Settlement without modification.

PENNSYLVANIA UTILITY LAW PROJECT



Date: **September 8, 2015**

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*For: Coalition for Affordable Utility Services
and Energy Efficiency in Pennsylvania*

STATEMENT G

**Statement in Support of Joint Petition for Settlement
of the Tenant Union Representative Network and
Action Alliance of Senior Citizens of Greater Philadelphia**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY - ELECTRIC DIVISION	:	

**STATEMENT OF TURN et al.
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively “TURN et al.”), signatory parties to the Joint Petition for Settlement of Rate Investigation (“Joint Petition”) in Docket No. R-2015-2468981, through counsel Community Legal Services, respectfully submit that the terms and conditions of the proposed Settlement are in the public interest, and in support state as follows:

I. Background

TURN et al. incorporate herein by reference the Background paragraphs 1 through 12 of the Joint Petition.

II. Terms and Conditions of Settlement

The Settlement terms and conditions are delineated in Paragraphs 13 through 27 of the Joint Petition. TURN et al. support the Settlement because it fully resolves all contested issues presented in the proceeding and is the product of good faith negotiations. TURN et al.’s testimony in this proceeding was limited to the issues of PECO’s proposal to increase its fixed

distribution service (customer) charge for rates R and RH customers and PECO's proposal to provide in-program arrearage forgiveness to customers enrolled in PECO's Customer Assistance Program (CAP) when PECO implements its Fixed Credit Option CAP, in October, 2016. TURN et al. believe that the Settlement reasonably resolves both issues and, if approved, will allow PECO's low-income CAP customers to maintain life-essential utility services on more affordable terms.

In Direct Testimony, TURN et al. opposed PECO's initial proposal to increase the customer charge for rates R and RH customers from \$7.13 to \$12. TURN et al. expressed concern that such a large increase in the customer charge would result in significant material harm to PECO's low-income, low-use customers. The Settlement provides in Paragraph 17 that the customer charge for rates R and RH customers will increase from \$7.13 to \$8.45. TURN et al. agree that this is a significant improvement over PECO's initial proposal and reflects a reasonable compromise among the parties.

The Settlement further provides for an in-program arrearage forgiveness program to address the approximately \$45 million of in-program arrearages that have accumulated in PECO's existing CAP program for low-income customers. In Direct Testimony, TURN et al. supported PECO's in-program arrearage forgiveness proposal because it is necessary to provide CAP customers with a fresh start and more affordable bills when PECO transitions to its FCO CAP design.

By way of brief background, the Commission recently approved PECO's new FCO CAP design in a separate proceeding at Docket No. M-2012-2290911. The new FCO CAP design is intended to address the high rates of unaffordability in PECO's existing CAP Rate program,

which has been an issue of ongoing Commission concern. The vast majority of CAP customers are expected to receive CAP bills within targeted energy burdens and, as a result, to be able to better afford their monthly CAP bills under the new FCO CAP design. As part of the settlement of PECO's CAP design proceeding, the parties reached a compromise that involved PECO proposing an in-program arrearage forgiveness mechanism for Commission approval that would allocate responsibility for in-program arrearages between PECO, CAP participants and non-CAP residential customers. Such a mechanism was intended to ensure that PECO's new FCO CAP will not be unduly undermined by additional monthly installments on in-program arrearages.

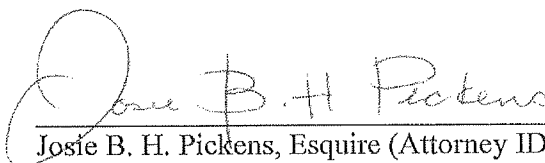
Pursuant to Paragraph 18 and Appendix C of the Settlement, PECO will provide in-program arrearage forgiveness when PECO transitions from its current CAP program to an FCO CAP program in October 2016. PECO has agreed to work to collect and mitigate in-program arrears between now and October 2016. When the FCO is launched, PECO will provide the CAP customer with a 60-month payment arrangement on 1/3 of the customer's in-program arrearage balance. For every \$1 that the customer pays on the arrangement, the customer will receive permanent forgiveness of \$2. PECO has agreed that, for 1/3 of the arrearages, it will write-off those arrearages and not seek rate recovery of that 1/3. TURN et al. agree that the in-program arrearage forgiveness program is a creative compromise among the parties and adequately addresses TURN et al.'s concerns about the significant in-program arrearages that have accumulated under PECO's existing CAP design.

TURN et al. did not present testimony on any other issue in this proceeding; however, TURN et al. agree that the Settlement should be approved in its entirety because, in addition to the reasons set forth in this statement, the Settlement avoids unnecessary litigation time and expense.

III. Conclusion

For the foregoing reasons, TURN et al. submit that the terms and conditions of the Joint Petition for Settlement of Rate Investigation are in the public interest and should be approved by the Administrative Law Judge and the Pennsylvania Public Utility Commission.

Respectfully submitted,



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Attorneys for TURN et al.

September 8, 2015

STATEMENT H

Statement in Support of Joint Petition for Settlement of the City of Philadelphia

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al.	:	
	:	
v.	:	Docket No. R-2015-2468981
	:	
PECO Energy Company – Electric Division	:	

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
OF THE CITY OF PHILADELPHIA**

The City of Philadelphia (“City”), one of the signatory parties to the Petition for Settlement of Rate Investigation (“Joint Petition”), submits that the terms and conditions of the settlement embodied in the Joint Petition (“Settlement”) are in the public interest. The City respectfully requests that Administrative Law Judge (“ALJ”) Angela T. Jones and the Public Utility Commission (“Commission”) approve the Petition and deem the Settlement to be in the public interest.

I. Background

On March 27, 2015, PECO Energy Company (“PECO” or “Company”) filed with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) proposed Tariff Electric-Pa. P.U.C. No. 5, containing proposed changes to rates and a general rate increase. On April 23, 2015, the Commission instituted a formal investigation of the lawfulness, justness and reasonableness of the proposed rate increase in the Company’s tariff filing. The Commission assigned the matter to Administrative Law Judge Angela T. Jones for a hearing and recommended decision. The City of Philadelphia and other parties intervened in the proceeding. The parties attended a prehearing conference on May 11, 2015, exchanged written testimony, and responded to numerous discovery requests.

The City, PECO, and other parties participated in settlement discussions that have resulted in a settlement of all issues. The Settlement reflects those discussions and represents a balance of the interests of the parties to this proceeding. For the reasons stated below, the City maintains that the proposed Settlement is in the public interest and requests that the ALJ and Commission approve the Joint Petition.

II. Discussion of the Terms and Conditions of the Settlement

A. Revenue Requirement

The City did not comment on the Company's total annual revenue requirement, except as discussed below with respect to revenue allocated to lighting.

B. Revenue Allocation and Rate Design

Numerous parties, including the City, commented on the Company's proposed revenue allocation among various rates and rate classes. The City's testimony on these issues focused on the assignment of costs for street-lighting service. The Company's initial tariff filing proposed a 4.5% increase in revenue from the Lighting rate class. The City noted that the relative rate of return for the Lighting class under the current tariff is approximately 1.75 times higher than the system average rate of return and has resulted in the Lighting class providing revenues higher than its indicated cost of service.¹ Other Petitioners advocated an increase in allocation of costs to Lighting class. The Settlement provides for a 3.4% increase in the Lighting rate class. The Settlement resolves this potentially contentious issue in a manner that represents a reasonable balance of interests of the Company's rate payers and the positions of all Petitioners.

¹ The Company defines the Lighting class as including Street Lighting - Customer Owned (Rate SL-E), Street Lighting - Suburban (Rate SL-S), Traffic Lighting Constant Load Service (Rate TLCL), Alley Lighting (Rate AL), and Private Outdoor Lighting (Rate POL). See PECO Statement No. 6, p.7.

C. Capacity Reservation Rider

Several parties including the City commented on the Company's proposal to replace the Auxiliary Service Rider with a proposed Capacity Reservation Rider (CRR). The City expressed concerns that the CRR would have an adverse effect on the economics of future distributed generation and renewable energy generation projects of significant size and proposed some specific changes to the CRR as initially proposed by the Company. As a result of the settlement discussion with the City and other parties, the Company has revised the CRR to respond the concerns raised by the City and other parties.

D. Other Settlement Issues

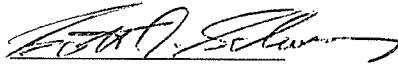
The City did not present testimony on other issues addressed in the Joint Petition.

III. Conclusion

For the reasons set forth in this statement and the additional factors enumerated in the Petition, the City supports the proposed Settlement and respectfully requests that the ALJ and the Commission approve the Petition in its entirety.

Respectfully submitted,

The City of Philadelphia



J. Barry Davis (I.D. No. 62137)

Scott J. Schwarz (I.D. No. 38224)

Law Department

City of Philadelphia

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Phone: 215-683-5186 (Davis)

215-685-6135 (Schwarz)

Fax: 215-683-5175

Dated: September 8, 2015

STATEMENT I

Statement in Support of Joint Petition for Settlement of the Environmental Defense Fund

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September 9, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utilities Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

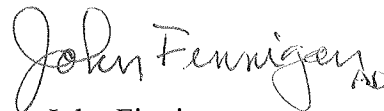
**RE: Pennsylvania Public Utility Commission v. PECO Energy Company – Electric Division
Docket R-2015-24698981**

Dear Secretary Chiavetta,

The Environmental Defense Fund hereby notifies the Commission that it supports the Joint Petition for Settlement, on the grounds that the residential customer charge increase in the settlement is significantly lower than what the Company originally proposed.

Please contact me if you have any questions regarding this filing. Thank you for your consideration.

Very truly yours,


John Finnigan

cc: All parties of record (with enclosure)

STATEMENT J

**Statement in Support of Joint Petition for Settlement
of the Keystone Energy Efficiency Alliance
Energy Education Fund**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2015-2468981
	:	
v.	:	
	:	
	:	
PECO Energy Company – Electric Division	:	
	:	

**KEEA ENERGY EDUCATION FUND’S STATEMENT IN SUPPORT
OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

I. INTRODUCTION

The KEEA Energy Education Fund (“KEEF”), the public education arm of the Keystone Energy Efficiency Alliance, submits this Statement In Support of the Joint Petition for Settlement of Rate Investigation (“Settlement”) by and between itself and PECO Energy Company (“PECO”), the Bureau of Investigation & Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Philadelphia Area Industrial Energy Users Group, the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania, the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia, the City of Philadelphia, the Clean Air Council, the Natural Resources Defense Council, The Alliance for Solar Choice, the Environmental Defense Fund and the General Services Administration (collectively, “Joint Petitioners”). The Settlement represents a full settlement to resolve all issues and concerns raised in PECO’s distribution base rate proceeding.

KEEF is a non-profit, tax-exempt 501(c)(3) corporation, with the mission of increasing the energy efficiency of Pennsylvania’s buildings through education and awareness. KEEF monitors and supports energy efficiency policies, regulations, and legislation at local, state, and

federal levels; educates the public about energy conservation and efficiency; provides forums for sharing best practices; provides rapid information-exchange platforms to keep abreast of energy efficiency developments as they happen; and promotes feedback mechanisms on market transformation activities in the field. With over 50 business members as well as non-profit and government partners, KEEF advocates on behalf of clean energy on the local, state, and federal levels.

In this proceeding, KEEF raised concerns about PECO's proposal to increase the customer fixed charge for all rate classes for which PECO proposed increases and recommended that it be rejected.¹ KEEF also addressed concerns that the continued use of customer fixed charges does not align with other state policies to promote energy efficiency and conservation in the Commonwealth.² The Settlement represents a compromise of many competing positions and reasonably addresses KEEF's concerns by proposing to reduce the amount of the fixed charges that will be implemented and establishing a collaborative process to discuss revenue decoupling on or before March 1, 2016. In support of the Settlement, KEEF offers the following.

II. STATEMENT IN SUPPORT OF THE PARTIAL SETTLEMENT

The Settlement is a reasonable compromise and lawful resolution of PECO's proposed base rate proceeding. KEEF's members implement energy efficiency improvements in buildings across the Commonwealth, including in PECO's service territory. As such, KEEF opposed PECO's proposals that would negatively impact the ability of customers to avail themselves of the energy efficiency improvements that can be offered by KEEF members. PECO proposed to increase its distribution rates by \$190 million. To recover a majority of the claimed increase,

¹ KEEF St. No. 1 at 4.

² *Id.*

PECO proposed to raise customer fixed charges for most customer classes. For the residential and residential heating customer classes, PECO proposed to increase the customer fixed charge from \$7.12 to \$12.02, an increase of 69%. For the GS Single Phase - No Demand rate class, PECO proposed to increase the customer fixed charge from \$13.48 per month to \$14.59 per month, an increase of 8%. PECO proposed to increase the customer fixed charge for the GS Single Phase – With Demand rate class from \$16.78 per month to \$18.59 per month, an 11% increase to the charge. For the GS Polyphase customer class, PECO proposed to increase the customer fixed charge from \$40.48 to \$44.49, an increase of 10%.

KEEF did not support an increase in the customer fixed charges for a number of reasons. First, KEEF found that PECO’s proposed customer charge increases were not cost justified.³ Second, KEEF raised concerns about how increasing customer fixed charges will disproportionately harm low income customers, be punitive to apartment dwellers and reduce the customer’s incentive to engage in energy efficiency.⁴ Finally, KEEF raised concerns about how continuously increasing customer fixed charges, as a rate design policy, fails to align with other state policies enacted to promote energy efficiency and conservation in the Commonwealth and recommended that a collaborative be convened to further explore revenue decoupling.⁵

In the Settlement, PECO agreed to a residential fixed customer charge at \$8.45 per month, which is significantly lower than its initially proposed increase to \$12.02. (Settlement at ¶17). Compared to PECO’s proposal to raise the residential fixed customer charge, this amount will allow a residential customer more control over his or her own energy bill. For the GS Single Phase - No Demand rate class, the Joint Petitioners agreed to increase the customer fixed charge

³ KEEF St. No. 1 at 14, 17-20.

⁴ KEEF St. No. 1 at 4, 9-12, 22-23, 28.

⁵ KEEF St. No. 1 at 4-5, 29-36.

from \$13.48 per month to \$14.29 per month. (Settlement at ¶17). For the GS Single Phase – With Demand rate class, the Joint Petitioners agreed to increase to the customer fixed charge from \$16.78 per month to \$18.20 per month. (Settlement at ¶17). PECO agreed to raise the customer fixed charge for the GS Polyphase Service rate class to \$43.54, which is less than originally proposed by PECO. Because the Settlement reduces some of PECO’s initially proposed customer charges for the above-mentioned rate classes, it does provide a reasonable outcome in the short term even though the end result does increase the customer charges from the present rates.

To address the long-term situation, the agreement of PECO to hold a collaborative on revenue decoupling on or before March 1, 2016 is significant. (Settlement at ¶25). The collaborative is an important first step to finding a better long-term solution to address the tension between the need for revenue recovery and the goals of energy efficiency and conservation that is not reliant on continual increases to fixed customer charges. As explained in KEEF’s testimony, full revenue decoupling is a regulatory mechanism that allows a utility to recover its full authorized revenues, regardless of sales volumes or the reason for fluctuations in sales volumes. KEEF submits that a revenue decoupling mechanism would permit PECO to recover authorized revenues and align energy efficiency goals contained in Act 129 and is a much better approach to continual reliance on customer fixed charges to recover this revenue.⁶ The stakeholder process detailed in the Settlement will engage stakeholders in exploring revenue decoupling as a solution to revenue concerns faced by PECO and is a reasonable compromise.

For these reasons, the Settlement is in the public interest and should be adopted. While customers will still face short-term increases in fixed charges, the revenue decoupling

⁶ KEEF St. No. 1 at 29-36.

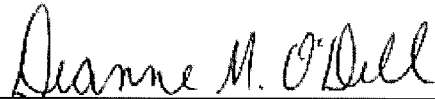
stakeholder process is a path forward to developing a better approach to remove the disincentive for PECO to encourage energy efficiency and conservation.

For all these reasons, the Settlement reduces the administrative burden and costs to resolve the numerous issues in this proceeding and should be adopted as a reasonable outcome that is in the public interest.

III. CONCLUSION

KEEF respectfully requests that the Settlement be approved without modification.

Respectfully submitted,



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Date: September 8, 2015

Attorneys for KEEA Energy Education Fund

STATEMENT K

**Statement in Support of Joint Petition for Settlement
of Clean Air Council**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2015-2468981
	:	
PECO Energy Company - Electric Division	:	

**CLEAN AIR COUNCIL’S STATEMENT IN SUPPORT OF JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE ANGELA T. JONES:

Clean Air Council (“Council”), a signatory party to the Joint Petition For Settlement Of Rate Investigation (“Joint Petition”), believes that the terms of the Joint Petition are in the public interest and represent a fair resolution of the Council’s interests in the above-captioned proceeding. For the reasons stated below, the Council respectfully requests that the proposals set forth in the Joint Petition be approved by Administrative Law Judge Angela T. Jones (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”).

I. INTRODUCTION

The Council intervened in this proceeding to address its concerns with the proposal by PECO Energy Company (“PECO”) to increase the fixed rates it charges customers for electrical

service.¹ The Council was concerned that this proposed increase would drastically impede the adoption and installation of energy efficiency and renewable energy, in part due to a longer payback period for PECO customers, including our members. Additionally, the Council was concerned with PECO's proposed treatment of alternative renewable generation customers and net metering, again, in part due to a longer payback period. Finally, the Council was expecting to raise the issue of revenue decoupling in order to engage elected officials, utilities, and customers.

The Joint Petition addresses the Council's primary concerns. PECO's acceptance of a lower proposed fixed rate increase, and an agreement to hold a collaborative regarding revenue decoupling, among other things, convince the Council that this Joint Petition is in the public's best interest.

II. BACKGROUND

On March 27, 2015, PECO Energy Company ("PECO") submitted a rate filing, Tariff-Electric PA P.U.C. No. 5 ("Tarriff 5"), in which PECO proposes to increase its retail distribution rates by approximately \$190.1 million. This would result in an average increase of approximately 15.6% in distribution rates. For residential customers, PECO proposes to increase the customer charges for both Rate R and RH by 68.3%.

After completing a thorough discovery phase, holding five public meetings, filing of substantial testimony by the active parties, and numerous settlement discussions, the following parties agreed to the terms of the Joint Petition: PECO, the Bureau of Investigation &

¹ Clean Air Council's Petition to Intervene at 2.

Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Philadelphia Area Industrial Energy Users Group (“PAIEUG”), the Coalition for Affordable Utility Services & Energy Efficiency in Pennsylvania (“CAUSE-PA”), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN et al.”), the City of Philadelphia (“City”), the Keystone Energy Efficiency Alliance Energy Education Fund (“KEEF”), the Council, the Natural Resources Defense Council (“NRDC”), The Alliance for Solar Choice (“TASC”), the Environmental Defense Fund (“EDF”) and the General Services Administration (“GSA”) (hereinafter “Joint Petitioners”). For a more in-depth background please see PECO’s Joint Petition for Settlement paragraphs 1-12.

The Joint Petition provides for, among other things, PECO: increasing rates in order to produce an annual net increase in electric operating revenue of \$127 million, to become effective for service rendered on and after January 1, 2016; committing to hold a collaborative by March 1, 2016, with all interested stakeholders to discuss and evaluate regarding revenue decoupling; revising its terms and conditions for interconnection of customer-owned generation.

III. CLEAN AIR COUNCIL’S REASONS FOR SUPPORT OF THE SETTLEMENT

Across the country, and in Pennsylvania utilities are rushing to their respective Public Utility Commissions to request increases in fixed rates. Since the creation of public utilities, the business model used has been to recoup costs, and earn a profit from charging customers a fixed fee and usage charges. Utilities have, traditionally, counted on customers using a constant amount of electricity, or more over time. When this happens utilities recoup costs and earn a profit. The traditional business model for utilities, however, is showing signs that it is becoming

obsolete. This model has been successful and profitable for utilities for decades; this model will not prove successful going forward.

There are two main reasons why continuing with business as usual by utilities will prove unsuccessful and, ultimately, harm customers. Customers of utilities have, in large numbers, taken energy efficiency measures, and in growing numbers, installed renewable energy. The combination of energy efficiency (and the resultant reduction in usage) and installation of renewable energy (and the resultant reduction in energy being purchased) have created a situation where utilities are finding it difficult to recoup costs, let alone earn a profit.

In the past few decades most appliances and other electricity consuming items such as light bulbs have become much more energy efficient. An electrical item bought today is up to 90% more energy efficient than one bought twenty years ago. Revisions to building codes have also increased the energy efficiency of buildings by as much as 50%. The fact is that buildings built today, and electrical items purchased today use a fraction of the energy used only a few decades ago. Energy efficiency is commonplace now, and will undoubtedly improve going forward. People, and buildings will consume drastically less energy.

In addition to a reduction in energy consumed by customers due to energy efficiency, many customers are generating their own electricity through renewable energy. One of the most common types of renewable energy in Pennsylvania is photovoltaic (solar) energy. The price of solar energy has declined dramatically over the past ten years. Currently, in many locations throughout the country, solar is at or below parity with electricity provided by the electrical distribution companies. One of the major setbacks of solar had been the ability to store the power

created during daylight hours. Recently a company announced a home battery pack, capable of storing enough energy from solar panels to provide enough energy for a typical home during nighttime hours.²

Clean Air Council opposed PECO's proposed fixed rate increase because the Council believes this is the wrong direction for the utility to take, and it is contrary to the public interest.³ When utilities increase fixed rates they are essentially punishing those customers who are attempting to do the right thing—use less energy and use more sustainable methods to produce energy. When a customer is faced with higher fixed costs, that customer will be more likely to decide that saving energy (making investments in energy efficiency) and installing renewable energy (paying a high upfront cost) are not worthwhile investments.

Clean Air Council's expert Brendon Baatz explains in his testimony that PECO's proposal to raise fixed rates creates a disincentive for customers to invest in energy efficiency or renewable energy, hence, against public policy. Mr. Baatz stated that the fixed charge increase "alters the price signal to the customer and reduces the [customer's] incentive to participate in energy efficiency programs."⁴ Mr. Baatz testified that when a utility moves towards recouping its costs from fixed fees, it creates a situation where customers have less incentive to invest in energy efficiency measures, including renewable energy installations.⁵ Mr. Baatz's

² <http://www.teslamotors.com/powerwall>.

³ Clean Air Council did accept a much reduced proposed fixed rate increase.

⁴ KEEF et al., Direct Testimony of Brendon Baatz at 9:9-10 (hereinafter "Baatz").

⁵ *Id.* at 9:10-11.

recommendation was that the Commission deny PECO's proposed rate increase in part based on the negative effect it would have on energy efficiency measures.⁶

Mr. Baatz also testified that adopting a new revenue recovery system in Pennsylvania known as "decoupling," would be more beneficial for the state, utilities and customers, hence, in the public interest. Revenue decoupling "is a regulatory mechanism that allows a utility [] to recover its full authorized revenues, regardless of sales volumes or the reason for changes in sales volumes."⁷ By changing the revenue generation mechanism for utilities, it would remove the perverse incentive for utilities to sell more and more electricity. When utilities lose the incentive to sell more, it removes the disincentive for utilities to promote energy efficiency.⁸

IV. CONCLUSION

Pennsylvania is the third largest contributor of greenhouse gases ("GHGs") in the United States.⁹ The electricity sector is the largest source of GHGs in Pennsylvania.¹⁰ Pennsylvania's Department of Environmental Protection has acknowledged that GHGs are a serious problem facing the state, and that the amount produced should be reduced.¹¹ The biggest impact on GHG reduction would be for Pennsylvania to reduce the amount of electricity produced. Encouraging customers to take measures that increase energy efficiency, and thus reduce the amount of

⁶ *Id.* at 4:7-22.

⁷ *Id.* at 29:17-20.

⁸ *Id.* at 30:8-9.

⁹ Donald A. Brown, *On The Need of the Commonwealth of Pennsylvania to Take Certain Actions to Reduce The Threat of Climate Change*, Apr 24, 2013, 12.

¹⁰ Pa. Dept. of Env. Protection, *Pennsylvania Final Climate Change Action Plan*, Dec 18, 2009, 4-1.

¹¹ *See Id.*

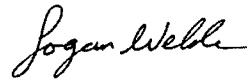
energy those customers consume, and encouraging customers to invest in renewable energy, sources that do not produce GHGs at their point source, are in the public interest.

The Council supports this Joint Petition for the reasons stated above. This Joint Petition is beneficial to the public interest, and adoption by the ALJ and the Commission will avoid costly, and time-consuming administrative and legal proceedings. The Council respectfully requests that Administrative Law Judge Jones and the Commission approve the Settlement.

Respectfully submitted,



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Date: September 8, 2015

STATEMENT L

**Statement in Support of Joint Petition for Settlement
of the Natural Resources Defense Council**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2015-2468981
	:	
	:	
v.	:	
	:	
	:	
PECO Energy Company – Electric Division	:	

**NATURAL RESOURCES DEFENSE COUNCIL (NRDC) STATEMENT IN SUPPORT
OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

Natural Resources Defense Council (“NRDC”), a signatory party to the Joint Petition for Settlement (“Joint Petition”) in this matter, respectfully requests that the Pennsylvania Public Utility Commission (“PUC”) approve the Joint Petition as reasonable, equitable, and in the public interest. In support of this request, NRDC states as follows:

I. INTRODUCTION

NRDC is an environmental organization and not-for-profit corporation that works to protect natural resources, public health, and the environment in Pennsylvania and around the globe. NRDC currently has more than 54,000 members and activists in Pennsylvania.

NRDC’s top institutional priority is curbing emissions of carbon dioxide and other pollutants that cause global warming and building a clean energy future, chiefly through the increased use of energy efficiency and renewable energy resources. Accordingly, NRDC works to support actions – such as the EPA’s recent issuance of the carbon emission standards for existing power plants under the Clean Power Plan – that promote efficiency and renewables, while working to oppose actions – such as proposals by utilities to raise customer fixed charges –

that are likely to disincentive efficiency and renewables, and thereby result in unnecessarily large emissions of climate-warming pollution from electricity generation.

In addition to its general interest in reducing harmful emissions, NRDC is particularly interested in ensuring that the health, environmental, and economic benefits of energy efficiency and renewable energy can be enjoyed by low-income communities. Consequently, in Pennsylvania and several other states, NRDC is a leading participant in Energy Efficiency for All, a partnership that seeks to provide energy efficiency benefits to low-income persons in Pennsylvania (and several other states) who live in multifamily homes.

II. BACKGROUND

NRDC adopts the background set forth in Paragraphs 1-12 of the Joint Petition.

III. NRDC'S SUPPORT OF THE SETTLEMENT

NRDC supports the Joint Petition as reasonable and in the public interest primarily for three reasons.

First, while the Joint Petition provides for rate increases that will raise PECO's annual distribution operating revenues by \$127 million overall, it will raise the fixed customer charge for PECO's residential customer class only by \$1.33 per month, from \$7.12 to \$8.45. NRDC opposed PECO's initial proposal to increase this amount to approximately \$12 per month because Mr. Baatz found that PECO had not justified this increase and that the increase would disincentivize energy efficiency and energy conservation, thereby working at cross-purposes with Act 129, the Commonwealth's demand-side energy efficiency statute. Mr. Baatz also found that the increase would disproportionately harm low-income customers. (KEEF et al., St. 1, 13-14, 19, 24-28). Because the increase in the customer fixed charge for PECO's residential class will be minimal under the terms of the Joint Petition, PECO's residential customers will continue

to have significant opportunities to reduce the volumetric portion of their electricity bills through efficiency, conservation, and renewable energy. NRDC supports this outcome.

Second, the Joint Petition provides for PECO to hold, by March 1, 2016, a collaborative to explore the adoption of revenue decoupling, a mechanism that enables utilities to recover all of their authorized revenues even when sales volumes fluctuate. NRDC has long supported decoupling for both electricity and natural gas utility rates because when customers take measures to reduce energy consumption, decoupling allows for the periodic “tuning up” of rates to prevent under-recovery (or over-recovery from consumers). NRDC believes that revenue decoupling could benefit both PECO and its customers and be an effective long-term solution to future revenue recovery issues. Decoupling would also be consistent with the energy efficiency policies embodied by Act 129.

Third, NRDC supports the Joint Petition because settlement in this matter will reduce administrative burdens and costs to all of the parties to the settlement.

IV. CONCLUSION

For all the reasons stated above, NRDC respectfully requests that the PUC approve the Joint Petition without modification.

Respectfully submitted,



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Date: September 8, 2015

STATEMENT M

**Statement in Support of Joint Petition for Settlement
of The Alliance for Solar Choice**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al.	:	
	:	
v.	:	R-2015-2468981
	:	C-2015-2475585
PECO Energy Company	:	C-2014-2477974

**THE ALLIANCE FOR SOLAR CHOICE
STATEMENT IN SUPPORT
OF THE JOINT PETITION FOR SETTLEMENT**

The Alliance for Solar Choice (“TASC”), by and through its attorneys, submits the following Statement In Support of the Joint Petition for Settlement of this general rate case by the Joint Applicants filed on September 10, 2015.

I. BACKGROUND

1. On March 27, 2015, the PECO Energy Company (“PECO” or “the Company”) filed an application for approval by the Pennsylvania Public Utility Commission (“Commission”) of an increase in its electric power rates. On May 6, 2015 TASC filed a Petition to Intervene in these proceedings, which was granted by on May 14, 2010 (Prehearing Conference Order #3). Since that time TASC has remained an active Intervener in these proceedings. TASC participated in prehearing

conferences, and submitted Direct and Surrebuttal Testimony of its witness Steven Gabel, along with supporting exhibits. TASC also participated actively in discovery and settlement discussions.

2. In its petition to Intervene and testimony TASC addressed four issues regarding the proposed increase in rates:

- The increase in fixed residential customer charges was not supported by the cost of service evidence submitted by the Company and undermines public policies of the Commonwealth to increase investment in distributed renewable energy and energy efficiency.
- PECO's proposed Capacity Reservation Rider unfairly discriminates against customers with renewable energy generation and is not supported by the cost of service evidence submitted by the Company.
- PECO's request for an increase in rates to support its distribution system should be conditioned on improvements in its interconnection processes for customer sited renewable energy generation.
- PECO's proposal to eliminate volumetric charges for certain commercial customers should be rejected.

In joining the settlement TASC withdraws this last issue.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised by the various parties. See, 52 Pa. Code § 5.231, § 69.401. These negotiations resulted in the Joint Petition for Settlement, which proposes a resolution of all outstanding issues between the Joint Petitioners in this proceeding.

The discussion below describes why TASC believes the Joint Petition for Settlement is in the public interest and why it supports the Joint Petition and specifically the provisions on fixed residential customer charges, capacity reservation charges and customer-sited generation interconnection processes.

II. STATEMENT IN SUPPORT

Residential Customer Charge

4. The Joint Petition for Settlement proposes to raise the residential customer charge from the current level \$7.19/month to \$8.45. The increase is only slightly higher than the amount proposed in the testimony by TASC's witness (Steven Gabel), based on his analysis of cost of service data. TASC supports this result since a larger increase in the customer charge would have had a wide range of undesirable effects. Higher customer charges tend to reduce customer investment in energy efficiency and on-site renewable energy equipment, because higher fixed-charges lengthen the pay-back periods for these investments. In the long run, this reduced customer investment would lead to higher costs to maintain and operate the distribution system. Increased customer charges also could have had an adverse financial impact on electricity customers who use small amounts of power, particularly low-income customers. A large increase in the customer charge would have been contrary to a number of state policies including those designed to increase energy efficiency, renewable energy and to maintain affordable electric service for all customers. The increase in the customer charge contained in the settlement, however, is small enough that TASC believes it is a fair reflection of cost

causation principles and does not believe it will have adverse impacts on clean energy development or low income customers.

Capacity Reservation Rider

5. TASC intervened in this rate case in part because of concerns that the proposed Capacity Reservation Rider (CRR) would unfairly affect commercial and industrial customers with on-site photovoltaic or photovoltaic-plus-battery systems. TASC believed the company's proposal did not include data or analysis to support the need for this new and additional revenue collection mechanism for customers with renewable energy generation. In short, TASC believes that customers with on-site renewable generation already make a fair contribution to the cost of the distribution system through regular monthly demand charge payments. In addition customer-sited renewable energy generation provides a wide variety of electric system and public benefits, in the form of reduced system loads, reduced power sector air pollution emissions, employment benefits, system reliability and others. TASC was concerned that the CRR as originally proposed would tend to discourage investment in customer-sited renewables in the commercial and industrial sector and thereby undermine a number of state policies designed to encourage investment in renewable energy. TASC was also concerned about the effect of the CRR on investment in customer-sited energy storage. Battery storage is an important emerging technology, part of a broader array of Demand Response technologies that have great potential to improve system reliability and reduce transmission and distribution costs. TASC was also concerned about the complexity of the tariff, both as to the CRR individually and in regard to the interaction between

the CRR charge and the minimum charge, especially considering that the CRR would now apply to relatively small commercial customers. Finally, because the CRR is calculated on the basis of the nameplate of customer site generation, it is ill suited for customer-sited photovoltaic systems that typically reduce customer peak demands by only a small percentage, if at all. As well, photovoltaic or photovoltaic plus storage systems often have a combined nameplate capacity that substantially exceeds customer maximum load, even though the demand-reducing capability is modest. For these reasons, the entire rationale for the CRR, to make additional payments for distribution system reserve capacity needed to serve customers when their on-site generation fails (calculated on nameplate capacity of customer-generation), is misapplied to solar systems which have little or no impact on customer monthly peak demands, and therefore do not typically reduce demand charges borne by customers or revenues received by the utility. TASC still maintains that a more appropriate mechanism, if any, for photovoltaic or photovoltaic-plus-storage systems would assess the CRR on the percent of installed nameplate that frequently causes reductions in monthly-billed-demand. In noting these concerns TASC also adds that it does not believe it was PECO's intent to disadvantage solar or storage technologies or to discourage investment in such systems by its customers, and we appreciate the willingness of the company to negotiate changes in the CRR proposal.

6. For several reasons, TASC has decided to join the settlement on this issue. First, the settlement adjusts the CRR charge calculation so that only 60% of the lesser of the nameplate of the customer generation, or the customer's annual peak

load, is used to set the charge. This change appears to significantly reduce or in some cases eliminate the economic impact of the charge on customers with solar energy systems. In other words, the investment payback for customers contemplating new solar energy systems should not be adversely affected.

7. Second, the Company agreed to modify the CRR, and its application to minimum charge, so that customers installing energy storage systems combined with solar would not be inadvertently harmed. These modifications included a clarification that the nameplate of energy storage systems would not be used in calculating the charge, and secondly, as illustrated in the example provided in Appendix D to the Joint Petition for Settlement, that in the case of combined solar and storage systems, the CRR would be the final minimum demand. These modifications are very important aspects of the settlement since TASC's analysis suggests that the CRR as proposed would effectively have prohibited commercial customers from investing in energy storage, thereby depriving the Commonwealth of an important emerging Demand Response technology and hindering efforts to integrate large amounts of intermittent renewable into the PECO system.

8. Third, the settlement provides an opportunity for customers to reduce the CRR charge through negotiations with the company where the customer has an opportunity to manage its on-site generation or storage in a way that reduces the need to 'lean on' the distribution system during times when its on-site generation is off line. This opportunity could be important for customers who operate a solar-plus-battery system in a way that reliably reduces the customer's peak demand on the distribution system.

9. Nevertheless, it was a difficult decision to join the settlement. While TASC modeled a large number of customer demand, on-site generation and storage combinations – it was not possible to assess all possible combinations. The CRR described in the settlement documents is complex, difficult to explain to customers, and sensitive to a number of variables unrelated to the purpose of the charge. Hence the impact of the CRR in practice is still somewhat uncertain. To reduce this uncertainty TASC requested, and the Company agreed to, language in the term sheet providing an example of how the charge would be assessed in the case of a customer with a solar-plus-battery system who sought to negotiate a lower CRR due to “operational flexibility.” The addition of this example to the term sheet is very important to TASC and is part of the basis for its decision to join the settlement.

10. For the reasons described in the foregoing paragraph, it is therefore very important that the CRR be labeled and considered as a pilot, and that the company will undertake data collection and analysis to assess the continuing need for and the economic impacts of the CRR charge on distributed renewable energy and distributed storage systems.

Interconnection

11. In its petition to Intervene TASC proposed a number of improvements in the Company’s processes for interconnection of customer-sited renewable generation. Interconnection of customer-sited generation is an important form of customer service, as it provides homeowners and businesses access to the distribution system to exercise options to self-generate and take advantage of the Commonwealth’s net metering policies. After extensive discussions with the

Company, TASC agreed to narrow its requests and reached agreement with the Company on two items. First, for Level 1, 2, 3, and 4 interconnection requests, the Company will undertake best efforts to return a fully executed Certificate of Completion, approving the facility for operation, within (i) ten business days from the date of a witness test or inspection that confirms all customer and Company equipment has been properly installed and that all electrical connections meet the Company's requirements, or (ii) ten days after the witness test has been deemed waived. Second, PECO will provide reports on interconnection processing timelines to the Commission semi-annually.

12. In conclusion, TASC agrees that approval of the proposed Settlement is reasonable, in the public interest and in the best interest of the parties involved. TASC agrees that the Company should be authorized to file a tariff supplement containing the rates consistent with the terms set forth in the Joint Petition. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated. Uncertainties regarding further expenses associated with possible appeals from the final order of the Commission are avoided as a result of the Joint Petition. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

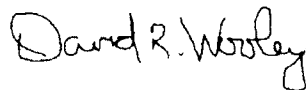
13. TASC fully supports the settlement but, in the event that the settlement or any part of it is rejected by the Administrative Law Judge or the Commission, TASC may wish to resume its litigation position.

WHEREFORE, The Alliance For Solar Choice respectfully requests that Administrative Law Judge Angela Jones and the Pennsylvania Public Utility Commission approve the Joint Petition For Settlement in this case without modification.

Respectfully submitted,



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September 9, 2015

STATEMENT N

Statement of the General Services Administration of Non-Opposition to the Joint Petition for Settlement

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET No. R-2015-2468981

v.

PECO ENERGY COMPANY

**STATEMENT OF THE UNITED STATES GENERAL SERVICES ADMINISTRATION
OF NON-OPPOSITION TO THE JOINT PETITION FOR SETTLEMENT**

The United States General Services Administration (hereinafter "GSA"), one of the intervenors to the above docketed rate proceeding, has chosen not to sign the Joint Petition for Settlement (hereinafter "Settlement"). However, despite continuing concerns related to Appendix D, GSA has no opposition to the Settlement. GSA respectfully submits, in general, the Settlement, notwithstanding GSA's concerns with Appendix D, will save costs and time to ratepayers, and is in the public interest.



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